

August 2 1988
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Japan	100.00	100.00	100.00
West Germany	100.00	100.00	100.00
France	100.00	100.00	100.00
UK	100.00	100.00	100.00
Italy	100.00	100.00	100.00
Spain	100.00	100.00	100.00
Belgium	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00
Australia	100.00	100.00	100.00
New Zealand	100.00	100.00	100.00
Canada	100.00	100.00	100.00
USA	100.00	100.00	100.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,606 Wednesday August 3 1988 D 8523 A

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MOSCOW
Taking the rocky capitalist road
Page 16

World News Business Summary

PLO calls crisis talks on Jordan's W Bank move

THE PALESTINE Liberation Organisation, thrown off-balance by Jordan's decision to disengage from the West Bank, has called an emergency session of the Palestine National Council, its supreme policy-making body.

The Palestinian parliament-in-exile is expected to meet within a month, probably in Baghdad, to review the latest developments. Page 3

Karabakh deal

Communist Party chiefs from Armenia and Azerbaijan agreed to work together for the development of the disputed region of Nagorno-Karabakh. Page 3

Pact arms move

The Warsaw Pact appeared to have made a concession over the status of nuclear weapons in proposed new talks on conventional arms in Europe. Page 3

China cash cuts

The China Academy of Social Sciences says Government departments must cut spending and stop meddling in the banking system, if the country's rapid growth rate is to be retained. Page 2

Soviet risk money

A bank opened in Leningrad to provide risk capital for Soviet investors. It aims to cut through the bureaucratic obstacles which impede the development of inventions into products. Page 2

Seal AIDS threat

Humans could be the next victims of the AIDS-like illness which has wiped out many of Sweden's seals, according to a Swedish doctor who says industrial pollution could be to blame for the plague. Page 2

Cyprus optimism

President George Vassiliou of Cyprus said that talks were good for a negotiated settlement of the island's division. Page 5

Gandhi death plot

Documents found in the Golden Temple at Amritsar revealed a Sikh plot to kill Prime Minister Rajiv Gandhi. Page 5

Kenya switch

Kenya's parliament voted unanimously to give the President greater control over the judiciary and to extend police powers of arrest. Page 5

Contra aid split

Congressional Democrats continued to wrestle over a new aid package for the Nicaraguan Contra rebels, an issue which divides their party and their newly-forged presidential ticket. Page 6

'Stay East' plea

A conservative West German politician made a controversial appeal for East Germans to stay at home and "change conditions" there rather than emigrate to the West. Page 2

Oil poisons 400

Adulterated cooking oil paralyzed more than 400 people and made thousands ill in Calcutta. So far 11 people have been arrested. Page 5

Rio drug raid

Gunmen led by a drug trafficker freed 10 prisoners in a dawn raid on a police station in a northern suburb of Rio de Janeiro. Page 5

Adsteam emerges as buyer of Bell stake

ADLAIDE STEAMSHIP, Australian holding company, emerged as the holder of 11.44 per cent of Perth-based Bell Resources, the asset-rich jewel of Mr Robert Holmes à Court's dwindling corporate empire.

Adsteam, said it held 63.5m shares in Bell Resources confirming widespread speculation that the company was building a stake in Bell, shares of which have been heavily traded of late. Page 17

STREITLY, UK construction materials group, purchased five companies

STREITLY, UK construction materials group, purchased five companies in Spain for a total of Ptas 1.9bn (\$42m) to expand its Spanish aggregates interests, the first acquisitions it has made since it raised \$28m (\$12.2) through a rights issue in June to fund overseas expansion. Page 17

FIAT acquired a 14 per cent stake in Labinal, French supplier of components to the car and aerospace industries

FIAT acquired a 14 per cent stake in Labinal, French supplier of components to the car and aerospace industries with which it has close links; it said the FF400m (\$63.5m) purchase was defensive and that it had no hostile takeover intentions. Page 17

LIBERTY MUTUAL Insurance Company, among the largest property-casualty insurance companies in the US, is taking a 15 per cent stake in Touche

LIBERTY MUTUAL Insurance Company, among the largest property-casualty insurance companies in the US, is taking a 15 per cent stake in Touche Remnant Holdings, the UK fund-management group and Britain's largest investment trust. Page 17

COFFEES: Prices went into free fall again yesterday in both London and New York. On the London Futures and Options Exchange three-month robusta coffee closed almost £100 a tonne down after touching a seven-year low of \$90 a tonne, compared with the previous close of £1,020. Page 32

BRIDGESTONE, Japanese tyre company buying Firestone Tyre and Rubber of the US, signed a \$80m deal to purchase a 35 per cent stake in a tyre manufacturer in Turkey to use as a base for supplying Africa and the Middle East. Page 17

HAFSLUND NYCOMED, diversified Norwegian group with main interests in pharmaceuticals and energy, is seeking to increase the limit on the foreign ownership of its voting shares to 35 per cent from 30 per cent. Page 18

VALMET, Finnish metal and engineering group, will become the country's first state-owned company to be partly privatised through an issue consisting of \$5m shares to domestic investors. Page 18

WHARF HOLDINGS, Hong Kong hotel, transport and property group controlled by Sir Yue-Kong Pao, announced a 24.2 per cent increase in profits to HK\$1,268m for the year ended March 31. Page 19

SIEMENS, West German electronics and electrical group, saw sales rise by 7 per cent to DM39.7bn (\$21.2bn) in the first nine months of the current business year ending September 30. Page 19

Britain to create new market in Ecu denominated bills

By Simon Holberton and Stephen Fidler in London

THE BRITISH Government yesterday announced plans to repay \$2.5bn of foreign debt and to create a new market in short-term Treasury bills denominated in European Currency Units, the hybrid currency created by the European Community in 1979.

The repayment of a \$2.5bn floating rate note, launched in September 1985, reflects the strength of Britain's foreign exchange reserves, which the Treasury said yesterday rose by an underlying \$910m in July to a record \$49.8bn.

The surprise move to issue Ecu bills was presented by the Treasury and the Bank of England as a concrete and practical step towards closer monetary co-operation and relations with its partners in the European Community.

It follows recent criticism by Mrs Margaret Thatcher, the British Prime Minister, of "airy-fairy" notions of European unity mooted by some Continental politicians and EC officials.

Mr Nigel Lawson, the Chancellor of the Exchequer, said the decision to issue Ecu bills "widens the options for managing the UK's reserves and will establish London's position as the centre of the Ecu market, which we wish to see develop further."

London, along with Paris and the Benelux countries, are the main centres for the growing Ecu financial market. The British move may encourage other European governments to follow suit.

UK officials said the issue of Ecu debt would also give the authorities another tactical weapon in foreign exchange market intervention.

The move was criticised by the Bank of England's purchases of D-Marks in foreign exchange market intervention.

The Ecu is a basket of 10 European currencies, including sterling, weighted according to economic importance and the currency's use in short-term finance. Yesterday, the D-mark accounted for 34.5 per cent of its value, the French franc for 18.6 per cent and sterling for 18.5 per cent.

The Government plans to issue the first Ecu bills in autumn. The Ecu bills, issued at a discount with maturities of one, three and six months,

will be sold by monthly tender. Up to Ecu50m (\$65m) will be offered at first with the total amount outstanding expected to expand to Ecu1bn-2bn. A decision on the further expansion of the programme will be taken in light of its success.

Yields on the bills are expected to be well below rates available on bank deposits, the only significant alternative for short-term Ecu investors.

The main buyers of the bills are expected to be foreign central banks and investment institutions.

The lack of a large short-term bill market in Ecus is viewed as having hindered the development of a wider Ecu market, the existence of which could become more useful as a source of finance for companies. Ecu-denominated bonds currently account for only 4 per cent of outstanding international bonds, Ecu44bn.

The early redemption of the floating rate notes in October, will be paid for by an already-executed \$1bn purchase of dollars in the forward foreign exchange market and by drawing down \$1.5m from the foreign reserves.

Pretoria takes initiative in Angola talks

By Michael Holman in Geneva and Anthony Robinson in Johannesburg

SOUTH AFRICA yesterday took the initiative at the Geneva peace talks on southern Africa and offered that Cuba and Angola will accept it.

The other condition, set out in an unexpected announcement in Pretoria by Mr Pik Botha, South Africa's Foreign Minister, was that Angola agree to close camps inside its territory holding an estimated 9,000 guerrillas of the African National Congress.

Mr Botha also called for a ceasefire to begin a week today, and restrictions by Angola on activity by guerrillas of the South West Africa People's Organisation, fighting for the independence of Namibia.

The offer, described by Mr Botha as a "comprehensive peace proposal," was put yesterday to the Angolan and Cuban delegations at talks chaired by Dr Chester Crocker, the US Assistant Secretary of State for Africa.

Although the move is the clearest and most categorical assertion of South Africa's willingness to end its control of

Namibia and allow internationally supervised independence elections, it seems unlikely that Cuba and Angola will accept it.

Both governments believe that a Cuban presence may be necessary for at least two years in view of the threat to security posed by Unita, the Angolan rebel movement. The Cubans would also be seen as necessary counterweight to South African influence until the new Namibian government was firmly established.

Pretoria's new offer came as Cuba and Angola were preparing a counter-proposal, shortening the four-year timetable for a phased Cuban withdrawal they set out earlier this year - probably by up to two years.

A shorter period would leave the Luanda Government vulnerable to the Unita rebel movement, led by Dr Jonas Savimbi.

Mr Botha said UN Resolution 435, which envisages internationally supervised elections in Namibia, monitored by a 7,500-strong UN task force, would take effect from November 1.

Commonwealth report on sanctions, Page 16



Carlucci wins his wings in Moscow

By John Lloyd in Moscow

THE US Defence Secretary and his aides yesterday saw more Soviet military technology in a day than any American politicians or military officers have seen for nearly four decades.

Mr Frank Carlucci sat in the cockpit of the Blackjack bomber (equivalent to the US B-1), watched Soviet troops from the crack Taman regiment "attack" each other with great ferocity, watched the new MiG-29 fighter manoeuvre, saw the huge Mi26 helicopter land and inspected the Taman's kitchens.

In a previous existence as deputy director of the Central Intelligence Agency, Mr Carlucci had spent millions of dollars and risked lives trying to get fuzzy pictures of this kind of stuff. Yesterday, he told a press conference in the US embassy, he sat in the Blackjack's cockpit to hear a Soviet pilot answer his questions "promptly and fully."

As he was inspecting the Soviet hardware, 44-year-old British tank rumbled through Leningrad. The tank, a Second World War victor, was a gift to commemorate Anglo-Soviet alliance during the war and a response to an earlier gift from the Soviet Union of a veteran IS2 tank.

Mr Carlucci praised the "remarkable candour and openness" which characterised his visits to the air force and army bases. He also spent four hours with his counterpart, Mr Dimitry Yazov. On Monday, Mr Carlucci expressed US doubts about the sincerity of Soviet claims to hold a purely defensive military posture. He said yesterday: "It is clear that they are still grappling with what is a defensive doctrine and how many resources should go into that."

Mr Carlucci said "the fact that we are having talks does not mean all the problems have been solved. It behoves us Continued on Page 16

Hitch in Gulf peace talks after UN and Iraq clash

By Andrew Gowers, Middle East Editor, in New York

UNITED NATIONS talks on ending the Gulf war appeared to be running into serious trouble last night as the UN Secretary-General and a senior Iraqi representative clashed over plans for an early ceasefire.

Mr Javier Pons de Cuellar signalled that he may announce the date for a ceasefire without the agreement of Iraq, but Baghdad responded yesterday by vowing that it would not accept any imposed peace moves before Iraq agreed to direct talks on a comprehensive settlement to the conflict.

Mr Riyad al-Qayasi, a member of the Iraqi delegation in New York, told reporters: "We will not accept a fait accompli, no matter from what quarter it comes. If anyone is harbouring any illusions that Iraq will accept a fait accompli, he should realise that he is committing a serious mistake and doing grave damage to the cause of peace."

A clearly rattled Mr Perez de Cuellar hit back minutes later by saying: "I don't know whether he (Mr al-Qayasi) understood what he was saying," and issuing a personal appeal to President Saddam Hussein to accept the current peace moves. "I know President Saddam Hussein and I trust very much his wisdom," he said. "I have noted that he is very much interested in a peaceful solution."

The UN talks have been stalled for several days over Iraq's demand for a direct meeting with Iran prior to a ceasefire. In the three meetings he has held with Mr Perez de Cuellar so far, Mr Tariq Aziz, the Iraqi Foreign Minister, has refused to negotiate on a ceasefire and insists that he regards face-to-face talks as an essential test of Iraq's sincerity.

Mr Ali Akbar Bekayati, his Iranian counterpart, has agreed in principle to direct talks, but only once a ceasefire is in place. Iraq takes this as evidence for its suspicion that Iran is merely trying to buy time through a temporary truce rather than seeking a durable peace.

"They (the Iranians) have not committed themselves to a comprehensive and durable peace. Peace has to be made between Iran and Iraq and not between Iran and the United Nations," said Mr al-Qayasi, who denies that Iraq was setting preconditions but also implicitly accused the UN of failing to adopt an even-handed approach.

The apparent impasse led Mr Perez de Cuellar to turn up the pressure on Monday night by saying he could announce the ceasefire independent of (warning parties) after he received Continued on Page 16

Bundesbank raises repo rate to 4.25%

By David Goodhart in Bonn, Haig Simonian in Frankfurt and Ralph Atkins in London

WEST GERMANY'S central bank, the Bundesbank, yesterday continued its step-by-step increase in West German interest rates by raising the rate for securities repurchase agreements (repos) to 4.25 per cent from 4.00 per cent.

The move, which followed last week's decision to increase the Lombard emergency funding rate to 5 per cent from 4.5 per cent, is part of a strategy aimed at maintaining the value of the D-Mark against the dollar and keeping domestic inflation at bay.

The dollar continued to be underpinned by confidence in the US economy and speculation that interest rates will remain firm because of inflationary pressures.

In London the D-Mark strengthened fractionally against the dollar, ending at DM1.8755 against the previous close of DM1.8765. However, the Bundesbank interest rate

Argentina announces austerity plan as interest fears grow

By Gary Mead in Buenos Aires and Stephen Fidler in London

ARGENTINA yesterday released details of its new austerity plan, involving sharp rises in charges for state services and cuts in spending, as doubts grew about the country's ability to meet interest payments on its \$65bn foreign debt.

The measures are believed to be in response to pressure from the International Monetary Fund to cut public spending and bring inflation down from a level of over 20 per cent a month.

Argentina has fallen between \$80m and \$90m in arrears on interest payments to commercial banks, bankers said yesterday. Many payments to banks are already more than 90 days overdue. When this happens banks in the US are required to downgrade their Argentine loans and set aside extra provisions against them.

Mr William Rhodes, Citibank's chief negotiator, who heads a six-member advisory committee, said the committee would meet next week.

The International Monetary Fund has cancelled the two remaining tranches, totalling SDR280m (\$450m), of loans under an agreement signed last year, and this also means that a \$150m disbursement from commercial banks, linked to the IMF disbursements, will not now be made, contributing to a severe short-term need for funds.

Even if governments led by the US-Secretary of State George Shultz is in Buenos Aires today - managed to put together a bridging loan to dig the country out of its short-term difficulties, there is the question of what financing the bridge would be built to. The country is seeking \$1.2bn in a new standby credit from the IMF, and a letter of intent about this may be in place in two to three weeks. But such funds would not be available until well into the autumn.

Argentina has badly missed the inflation targets under the previous IMF package, and the IMF executive board has been demanding strong early action before any new agreement can be made.

Under the new plan, consumers of public utilities face immediate price increases of 30 per cent for electricity, gas, water, telephone, telephones and fuel oils. The Government has declared that it will not raise public sector prices for a further two months.

To cushion the effect of the increases the Government has also increased salaries for state employees by 25 per cent,

MARKETS

Tokyo
Nikkei Average (000)
28.5
28.0
27.5
27.0
July 88 Aug

STERLING
New York benchmark
\$ 1.7105 (1.7180)
London:
\$ 1.7100 (1.7135)
DM 3.2075 (3.2185)
FF 10.8150 (10.8425)
Sfr 2.6700 (2.6730)
£27.25 (27.30)
DOLLAR
New York benchmark
DM 1.8745 (1.8890)
FFr 6.3205 (6.3175)
Sfr 1.5615 (1.5615)
FFr 132.575 (132.675)
New DM 137.65 (137.65)
FFr 6.3230 (6.3275)
Sfr 1.5620 (1.5615)
Y132.80 (132.75)
GOLD
New York Spot: Comex
Dec \$442.55 (\$445.5)
Nov \$433.25 (\$435.5)

STOCK INDICES
New York benchmark
Dow Jones Ind. Av.
2,117.71 (-12.8)
S&P Comp
271.08 (-1.13)
London
FT-SE 100
1965.6 (-8.7)
World:
129.51 (Mon)
Tokyo
Nikkei Ave 28,986.33
(+40.02)
Frankfurt
Commerzbank
1,491.3 (-0.8)
DAX
Brent 15-day (Aug/Apr)
\$ 15.40 (-0.248)
West Tax Crude
\$ 15.75 (-0.31)

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Why Bonn's secrets are not so secret as secrets elsewhere
Gerhard Boeder, head of the West German counter-intelligence service, is much more approachable than his title might suggest. The door to his office is always open. Page 15

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Are the biggest stars necessarily the brightest?

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EUROPEAN NEWS

Warsaw Pact gives ground on arms talks

By Judy Dempsey in Vienna

EAST-WEST differences about the mandate for proposed new talks on conventional arms in Europe have narrowed significantly over the past week, with the Warsaw Pact making what appears to be a concession over the status of nuclear weapons in the talks.

The revision in the Pact's stance should facilitate agreement on a mandate for conventional stability talks (CST) when negotiators, who are expected to break up for a recess this week, reconvene in September.

The issue centres on what

kinds of weapons systems should be included in the CST. When, in July 1987, the North Atlantic Treaty Organisation (Nato) put forward its draft mandate, it stipulated that "nuclear weapons will not be and will not become subject to negotiation." The Warsaw Pact, however, insisted that "dual-capable" systems (carrying either nuclear or conventional warheads) be included in the CST.

The Pact reportedly argued that Nato's proposed "nuclear exclusion" clause could be used by the West to exclude

certain types of basically conventional systems. In an attempt to break the deadlock, Nato last month included new wording to the effect that such a clause would not be used for this purpose.

The Soviet Union's response to the Nato clause appears to represent a significant breakthrough.

The latest formula makes no explicit reference to the inclusion of dual-capable systems in the CST.

The Soviet side's current formula states: "No conventional armaments or equipment will

be excluded from the subject of the negotiations because they can use other charges in addition to conventional ones. Nuclear charges are not included in these negotiations."

Despite these encouraging signs, the two sides remain far apart on which parts of Turkey and seven Warsaw Pact countries - cannot begin before agreement is reached in related negotiations also taking place in Vienna, between the 35 nations which take part in the Conference on Security and Co-operation in Europe (CSCE).

East awaits passport perestroika

Judy Dempsey in Vienna reports on the travel bureaucracy facing Warsaw Pact citizens

MR Mikhail Gorbachev's policies of openness and restructuring would have far greater support and meaning for millions of citizens in the Soviet Union and Eastern Europe if the regulations on travel and passports were radically reformed.

This is a view shared not only by East European intellectuals but ordinary people, many of whom are denied the right to a passport and thus the freedom to travel and emigrate wherever they choose.

port office. Any future travel requires further application forms, further questionnaires and endless delays.

These restrictions are but a tip of the iceberg. Citizens for instance, are limited to the amount of time they can remain abroad. More importantly, in the case of Romania, Bulgaria, Czechoslovakia and East Germany, the same pass-

port office. Any future travel requires further application forms, further questionnaires and endless delays.

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Belgium in debt relief agreement

By David Buchanan in Brussels

THE BELGIAN Government yesterday signed a debt relief agreement with leading domestic institutional investors, who have agreed to lend the Government 400 billion francs (€112 billion) worth of interest due on public debt next year in new Treasury paper.

The refinancing move was clearly foreshadowed in the May agreement establishing the latest five-part ruling coalition led by Prime Minister Wilfried Martens, as part of a 1987-90 reduction in spending to bring the public sector borrowing requirement back down to 10 per cent of GNP.

What the authorities fear most from liberalising the passport system, however, is not the depletion of their hard currency reserves, but that a "brain drain" would take place. This is what happened just before the Berlin Wall was built in 1981.

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In Romania, people must first apply for the application form before they can apply for a passport.

next form to be filled out, with questions ranging from the purpose of the visit, what places and people will be visited, who will finance the trip and details of the applicant's parents. Even after that, the applicants cannot be guaranteed a passport. In these countries, although the Bulgarian authorities are now slowly changing the law, officials are

not required to give any reason if an application is turned down.

For those who are lucky enough to obtain a passport, the road still remains blocked with further obstacles.

Until recently, Hungarians, who can keep their passports, could not travel abroad without the exit visa, which amounts to permission to leave the country. Last January, the authorities in Budapest abolished this requirement, but it is the only country to have done so. Elsewhere, citizens need both an exit permit and a visa to re-enter their own country.

In Romania, Mr Nicolae Ceausescu, the Party leader, in an effort to deter such would-be emigrants, imposed an "education tax" in 1982 which meant that those seeking emigration had to repay to the state, in hard currency, the cost of their education, even though it is forbidden to hold such currency. Last March, Mr Ceausescu described those who left the homeland as "black sheep."

Italy unemployment rises as prosperity gap widens

By John Wyles in Rome

THE UNEMPLOYMENT rate in Italy reached 11.9 per cent in April, reflecting a growing number of job-seekers in the south who more than offset a decline in the booming north of the country.

According to the latest quarterly survey by Istat, the national statistical agency, the national rate was the highest for any post-war April and compared with 11.7 per cent in the same month last year. Seasonal factors, however, pulled unemployment down from the 12.4 per cent registered in Jan-

Party leaders agree to co-operate on Karabakh

COMMUNIST Party chiefs from Armenia and Azerbaijan agreed yesterday to work together for the development of the disputed region of Nagorno-Karabakh, Reuter reports from Moscow.

The official news agency, Tass, said the agreement was reached at an unprecedented meeting in Stepanakert, capital of Nagorno-Karabakh, which has been the subject of a bitter dispute between the two republics, in which the mainly Armenian inhabitants have sought to break away from Azerbaijani rule.

The meeting yesterday was the first of its type since unrest bringing mass demonstrations and rioting flared in February, and the first major step towards public reconciliation between the two

Divided Germany unites around the business table

Leslie Collett reports that cross-border contacts between the captains of industry are a serious affair

SYMBOLICALLY, a towering West German crane bearing the name of its manufacturer in the Ruhr has dominated the biannual East-West trade fair in Leipzig, East Germany in recent years.

Inside the conference cubicles at the Technical Fairgrounds, directors of West Germany's most illustrious companies confer with their counterparts who head East Germany's giant industrial *Kombinate*.

Political relations between the two Germanys are a complex and highly sensitive matter, in which Bonn seeks to use its leverage as by far the stronger economic power in order to obtain the maximum human rights concessions from the Communists.

most imaginative devices must be found to boost trade.

One of the most remarkable is an arrangement under which West Germany sells East Germany hundreds of millions of D-Marks worth of crude oil each year and buys back refined oil products worth more than three times the amount.

All this takes place despite enormous unused refining capacity in West Germany. It provides East Germany with badly needed Units of Account (equal to D-Marks) in the clearing system used in inner-German trade and is regarded as politically desirable by Bonn because the oil products are

E Germans urged to seek reform at home

A CONSERVATIVE West German politician has made a controversial appeal for East Germans to stay at home and "change conditions" there rather than seek to emigrate to the West, writes Leslie Collett. Mr Heinrich Lummer's plea followed a West German statement that migrants from East Germany were expected to double next year.

Mr Lummer has been criticized both by fellow-members of the ruling Christian Democratic party, and by opposition Social Democrats. However, his remarks were in line with some recent pronouncements

largely destined for West Berlin.

Invariably East Germany will choose to buy a West German machine over one made elsewhere because of what is seen as superior technology, punctual delivery, reliable service and the flexibility of the manufacturer who will frequently accept East German goods in payment.

This explains why West German engineering companies last year boosted deliveries to East Germany by 29 per cent to DM3.1bn although trade with East Germany makes up less than 2 per cent of total West German trade.

Throughout Eastern Europe, outstanding applications might be anywhere from 200,000 to 1m. "Probably even the authorities here do not know the real number."

UK building industry trails in 1992 plans

By Andrew Taylor, Construction Correspondent

FRENCH contractors and building material companies British and West German companies in preparing to take advantage of the creation in 1992 of a single European Community market, according to a report published by accountants Touche Ross published yesterday.

Industrial Market Research which carried out the study interviewed more than 30 British, French and West German suppliers and specifiers to find out what plans they had to take advantage of an EC construction market with combined sales of £260bn. It also spoke to Government bodies and trade associations in the three countries.

Miti puzzle over alloy project

lan Rodger reports from Tokyo on an apparent departure from Japanese technology policy in the field of aluminium lithium alloys for use, notably, in the aerospace industry

A CONSORTIUM of Japanese companies is planning a seven-year independent project to develop aluminium lithium alloys, metals which have considerable potential in aerospace applications, apparently with the support of the Ministry of International Trade and Industry.

This is a very surprising move because aluminium lithium development is already highly advanced in the UK and elsewhere in Europe and North America. In the past, Japan has been willing and eager to take out licenses on new technologies rather than carry out redundant development.

Tax reform likely to add 0.2% to Japan's GNP

By Ian Rodger in Tokyo

THE PROPOSED overhaul of Japan's tax system would add 0.2 per cent to the country's annual gross domestic product, according to a study by the Government's Economic Planning Agency. However, private sector economists remain cautious about forecasting the impact of the radical tax reform, not least because of uncertainties about the degree of evasion that may take place.

The rate of cheating will not change, Mr Hidehiro Iwaki of NRI & NCC, the research arm of Nomura Securities, predicted yesterday.

Under the tax reform plan, which is now being debated in the Japanese Diet (parliament), personal and corporate income taxes are to be substantially reduced but a 3 per cent consumption tax and a capital gains tax system will be introduced. The Government has forecast that the tax reductions will cause a ¥5,000bn (£24.7bn) loss of revenue in a typical year, while the new taxes will add ¥3,200bn.

Yugoslav prices rise

Yugoslav prices rose 11.2 per cent last month, against a 21.1 per cent rise in June which came in the immediate aftermath of an IMF-sponsored price liberalisation, Aleksandar Lebl reports. However, it has become clear that there is no hope of meeting a target of bringing the annual rate down to 90 or 95 per cent in December.

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OVERSEAS NEWS

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Belgium in debt relief agreement

By David Buchanan in Brussels

THE BELGIAN Government yesterday signed a debt relief agreement with leading domestic institutional investors, who have agreed to lend the Government 400 billion francs (€112 billion) worth of interest due on public debt next year in new Treasury paper.

The refinancing move was clearly foreshadowed in the May agreement establishing the latest five-part ruling coalition led by Prime Minister Wilfried Martens, as part of a 1987-90 reduction in spending to bring the public sector borrowing requirement back down to 10 per cent of GNP.

In Romania, people must first apply for the application form before they can apply for a passport.

next form to be filled out, with questions ranging from the purpose of the visit, what places and people will be visited, who will finance the trip and details of the applicant's parents. Even after that, the applicants cannot be guaranteed a passport. In these countries, although the Bulgarian authorities are now slowly changing the law, officials are

Italy unemployment rises as prosperity gap widens

By John Wyles in Rome

THE UNEMPLOYMENT rate in Italy reached 11.9 per cent in April, reflecting a growing number of job-seekers in the south who more than offset a decline in the booming north of the country.

According to the latest quarterly survey by Istat, the national statistical agency, the national rate was the highest for any post-war April and compared with 11.7 per cent in the same month last year. Seasonal factors, however, pulled unemployment down from the 12.4 per cent registered in Jan-

Party leaders agree to co-operate on Karabakh

COMMUNIST Party chiefs from Armenia and Azerbaijan agreed yesterday to work together for the development of the disputed region of Nagorno-Karabakh, Reuter reports from Moscow.

The official news agency, Tass, said the agreement was reached at an unprecedented meeting in Stepanakert, capital of Nagorno-Karabakh, which has been the subject of a bitter dispute between the two republics, in which the mainly Armenian inhabitants have sought to break away from Azerbaijani rule.

The meeting yesterday was the first of its type since unrest bringing mass demonstrations and rioting flared in February, and the first major step towards public reconciliation between the two

UK building industry trails in 1992 plans

By Andrew Taylor, Construction Correspondent

FRENCH contractors and building material companies British and West German companies in preparing to take advantage of the creation in 1992 of a single European Community market, according to a report published by accountants Touche Ross published yesterday.

Industrial Market Research which carried out the study interviewed more than 30 British, French and West German suppliers and specifiers to find out what plans they had to take advantage of an EC construction market with combined sales of £260bn. It also spoke to Government bodies and trade associations in the three countries.

Miti puzzle over alloy project

lan Rodger reports from Tokyo on an apparent departure from Japanese technology policy in the field of aluminium lithium alloys for use, notably, in the aerospace industry

A CONSORTIUM of Japanese companies is planning a seven-year independent project to develop aluminium lithium alloys, metals which have considerable potential in aerospace applications, apparently with the support of the Ministry of International Trade and Industry.

This is a very surprising move because aluminium lithium development is already highly advanced in the UK and elsewhere in Europe and North America. In the past, Japan has been willing and eager to take out licenses on new technologies rather than carry out redundant development.

Tax reform likely to add 0.2% to Japan's GNP

By Ian Rodger in Tokyo

THE PROPOSED overhaul of Japan's tax system would add 0.2 per cent to the country's annual gross domestic product, according to a study by the Government's Economic Planning Agency. However, private sector economists remain cautious about forecasting the impact of the radical tax reform, not least because of uncertainties about the degree of evasion that may take place.

The rate of cheating will not change, Mr Hidehiro Iwaki of NRI & NCC, the research arm of Nomura Securities, predicted yesterday.

Under the tax reform plan, which is now being debated in the Japanese Diet (parliament), personal and corporate income taxes are to be substantially reduced but a 3 per cent consumption tax and a capital gains tax system will be introduced. The Government has forecast that the tax reductions will cause a ¥5,000bn (£24.7bn) loss of revenue in a typical year, while the new taxes will add ¥3,200bn.

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OVERSEAS NEWS

PALESTINIAN 'PARLIAMENT' TO MEET

PLO calls crisis talks on Jordan's West Bank move

By Tony Walker in Amman

THE PALESTINE Liberation Organisation, thrown off balance by Jordan's decision to disengage from the West Bank, has called an emergency session of the Palestine National Council, its supreme policy-making body.

The Palestinian parliament-in-exile is expected to meet within a month, probably in Baghdad, to review the latest developments.

The hastily convened of a PNC session almost certainly reflects disquiet over the implications of King Hussein's dramatic announcement on Sunday that he was handing responsibility for the West Bank to the PLO.

The decision to call together the 450 PNC representatives was taken at a meeting of the Palestine Central Council, the PLO's advisory body, which concluded a meeting in Baghdad yesterday.

A PLO spokesman said a high-level delegation would visit Amman next week for consultations with Jordanian officials. Mr Yassir Arafat, chairman of the PLO, would not lead the delegation, putting off for the time being his planned visit to Jordan.

In Jordan, there has been confusion about the practical consequences of King Hussein's decision to cut legal and administrative ties with the West Bank, home of some 850,000 Palestinians.

The King's speech, which was televised to the nation, left many unanswered questions about continued dealings with the West Bank, over which Jordan has claimed sovereignty since 1967.

One of these relates to the payment of salaries and pensions to 24,000 West Bankers, many of whom have been on the Jordanian payroll since before the 1967 war.

These employees may be suspended as part of Jordan's disengagement from the territories. It is unclear who, if any, will continue to pay them. Their salaries amount to \$30m a year.

Local observers point out that the PLO does not have an infrastructure which would allow it to transfer funds to the territories on a regular basis.

There is also the question of passports. Some 250,000 residents of the West Bank and Gaza Strip have been entitled

to Jordanian passports. A question mark now hangs over whether Jordan will continue to issue passports to West Bank Palestinians. Officials have indicated this may now become a PLO responsibility.

Problems may also arise over movement back and forth between the West Bank and Jordan, affecting trade.

Government spokesmen are refusing to be drawn on measures requested to complete the disengagement between Jordan and the West Bank.

Their studied vagueness appears part of a deliberate policy while the Government awaits reaction to the King's announcement, both from West Bank Palestinians and from the PLO itself.

Palestinian observers and Western officials believe that King Hussein, by forcing such questions to be raised about such practical issues as passports and salaries, is seeking to highlight Jordan's and his own continuing importance to the people of the occupied territories.

Jordan appears to be hoping that both the PLO and West Bank Palestinians will urge that it continue to play an administrative role. King Hussein has made no secret of the fact that he believes Jordan's efforts to assist the Palestinians have not been appreciated.

The King has indicated displeasure at criticism of his motives for wanting to maintain close links with the West Bank, which was ruled by his family until it was seized by Israel in the 1967 war.

The Palestinian uprising in the occupied territories had strengthened PLO demands for recognition of rights to independent statehood in the West Bank and Gaza Strip. This pushed into the background the idea of a confederation between Jordan and a Palestinian homeland, which had long been the King's preferred option.

Troops shot dead a teenager and wounded four other demonstrators in the West Bank yesterday amid protests over the expulsion of Palestinians accused of inciting violence.

Arabs demonstrated and staged a strike in support of eight deportees who were taken to southern Lebanon by army helicopter on Monday.

Indian MPs urge inquiry on Sumitomo 'payments'

By K.K. Sharma in New Delhi

AT LEAST one MP from India's ruling Congress I party yesterday joined opposition calls for a government inquiry into alleged commission payments by Sumitomo of Japan to an Indian businessman in connection with two contracts with the state-owned Oil and Natural Gas Commission.

The allegation was made last week by The Statesman newspaper of New Delhi which claimed that the businessman was associated with Captain Satish Sharma, a close friend of the Indian Prime Minister, Mr Rajiv Gandhi.

In a statement to both houses of parliament yesterday, Mr B.K. Gandhi, Minister of State of Finance, said the Statesman report was "inaccurate" in many respects. But he did not deny that Sumitomo had made the alleged payments.

Mr Gandhi said Mr Lalit Suri, the businessman, was a "consultant" and had submitted income tax returns in which payments by Sumitomo were mentioned.

Opposition members in the Rajya Sabha, the upper house of parliament, were yesterday unhappy with the government explanation and the issue is bound to be raised again.

The Statesman report follows charges of pay-offs by people close to Mr Gandhi by Bofors of Sweden.

Prem's departure tests politicians' mettle

Peter Ungphakorn on the men likely to assume power after the Thai PM goes

GENERAL Prem Tinsulanonda governed Thailand for eight years with caution and predictability. There were a few minor surprises, but none as startling as the one he reserved for last week when, out of the blue, he told politicians negotiating a new coalition that he would no longer be prime minister.

His decision has transformed Thai politics. It imposes the severest test on civilian politicians in 12 years and could affect Thailand's much-publicised progress towards becoming a newly-industrialising country.

Without Gen Prem, the new coalition is also likely to be without any direct representative of the army, a rare situation that in the past has usually ended in a coup.

The army will continue to watch developments closely and has allies in several of the parties. But it, too, is split and much depends on the annual military appointments due next month. The last successful coup was in 1977 and all attempts since have failed.

In the past Gen Prem made sure his supporters controlled the key military positions. Now, the field is thrown wide open, with uncertainty about the future of Gen Chavalit Yongchaiyudh, the army commander.

When appointed in May 1986 he promised to remain in office for only two years and indeed he handed in his resignation in May, but Gen Prem turned down the resignation. At the time, observers thought Gen

Chavalit might resign in September. He has said nothing so far about the possibility.

The uncertainty contrasts starkly with the routine and ritualistic political events of the past few months before Gen Prem made his surprise announcement.

The campaign for the July 24 general election opened after parliament was dissolved on April 29 with the routine spate of coup rumours and a procession of senior military officers who visited Gen Prem, apparently to express support.

Students, academics and a handful of political leaders called for the Prime Minister to be an elected member of parliament. The calls carried little weight and there was no response from Gen Prem, who was still army commander in 1980 when he took over the Government under a military-inspired constitutional provision that allows a non-elected prime minister.

There were some bitter local rivalries and millions of baht were spent on buying votes, but polling sprang no surprises and everyone assumed Gen Prem would head yet another coalition - if he had made his announcement before July 24, the election would have been quite different.

On the assumption that Gen Prem would continue, Maj Gen Chatchai Choonhavan, leader of Chat Thai (Thai Nation), the largest party, announced the following day he was not ready to be prime minister. Two days later, Gen Prem forced readiness upon him.



Chatchai: a more pro-business role

The real reason for Gen Prem's decision to stand down is not clear. He said he wanted Thailand's democracy to progress further and a number of critics promptly congratulated him - the latest was Gen Arthit Kamlang-ek, voted into the Lower House in this election, whom Gen Prem had sacked as army commander in 1986.

But Gen Prem always preferred the kudos of premiership to the battles over policies and vested interests. He presided over a dramatic recovery from mild recession in 1984-85, but his strength had been in hiring and firing - sometimes controversially - and as a compromiser between factions that did not threaten him personally.

By election day, he had already achieved his ambition

to preside over two important royal ceremonies: the King's 60th birthday on December 5 last year and the July 2 celebrations this year when King Bhumibol Adulyadej became Thailand's longest reigning monarch. Another term appeared to promise nothing but trouble.

Gen Prem has shown a sensitivity to criticism. It was apparently the reason for dissolving parliament rather than face a no-confidence debate he ought to have won.

But he has not ruled out the possibility of returning as a compromise prime minister if the parties fail to stay together.

Gen Chatchai, if confirmed as the new prime minister, is likely to play a more assertive, pro-business role than his predecessor in formulating policy. But much depends on the behaviour of ministers from the five parties that are expected to form the coalition.

A former diplomat and foreign and industry minister, he will inherit an economy undergoing rapid industrialisation and export-led growth, still suffering corruption in some key areas. The fear is that corruption in the Cabinet itself could get out of hand, although the new responsibility suddenly dropped on their shoulders by Gen Prem's departure could restrain politicians' greed.

Gen Chatchai's Chat Thai Party, although the largest, only has 87 seats, less than a quarter of the Lower House. He and his party colleagues are closely associated with the

Eastern Seaboard Development Programme, which includes a new deep sea port, industrial estates, an export processing zone and a petrochemicals complex.

Mr Banham Silapa-archa, Chat Thai's secretary general and a leading party financier, spent two controversial years as communications minister with a series of scandals over bus purchase and highway construction contracts, the purchase of MD-11 aircraft for Thai Airways International and a crane monopoly at the port of Bangkok awarded to a leading Chat Thai politician.

The new communications minister could be Mr Montree Pongpanit of the 54-seat Social Action Party, who spent two equally controversial years as commerce minister with responsibilities that include control of export quotas. Transport and communications are likely to be a key economic issue because of the investment in infrastructure needed to accommodate Thailand's growth.

Political leaders negotiating the share-out of cabinet posts say the talks are cordial. That could mean that the new responsibility has encouraged them to avoid clashes over who should get the key positions and might signal a new determination to avoid serious splits.

If they fail, the army could move. Pessimists predict a Chatchai-led coalition might not last more than three months.

Peking urged to cut public expenditure

By Peter Ellingsen in Peking

A REPORT from the China Academy of Social Sciences says Government departments must reduce spending and stop meddling in the banking system, if the country's rapid growth rate is to be reined in and inflation held back.

China's economy has entered a breakneck phase of growth and consumers are being urged to tighten their belts to keep the lid on inflation.

According to the academy, the Finance Ministry, which is singled out for criticism has been fuelling 19 per cent inflation by printing money to satisfy its desire for luxury cars and other imported goods. This has led to overconsumption and a money supply growth rate of more than 30 per cent so far this year.

The Academy called on the Government to guarantee the independence of China's key banks, so that the Finance Ministry could no longer just demand an overdraft to cover its debts.

In their report, the economists suggest the National People's Congress be responsible for a new currency, and the ability of banks to issue over the country must reduce the purchasing power of enterprises and ministries to avoid deficits," the academy said.

But, according to the Finance Ministry's research

department, China will be stuck with a deficit for at least three to five years as its economy expands. The department said the Government had decided to reduce the deficit by issuing grants to special banks. An alternative, he said, would be to borrow additional foreign capital to add to China's foreign debt.

Both, however, are inflationary, and the economists have warned against using foreign debt to solve the problem of deficits. The dilemma is one which Chinese leaders meeting at the seaside resort of Beidaihe are now trying to resolve.

Without incurring a consumer backlash by letting prices go too high, they must somehow dampen demand in a booming economy where families now spend too much on non-staple food items and the so-called "four new essentials" - TV sets, refrigerators, washing machines and tape recorders.

In recent years, ownership of these goods, despite their expense (each costs about one year's average wage), has spiralled, causing distortions in the economy. According to academy economists, China, to avoid a skewed economy, needs more labour-intensive industries to absorb surplus rural manpower, not capital-intensive ones producing electrical appliances.

continue," a joint statement said. It said that the two sides would meet again today.

Ms Mary Carlin Yates, for the US team, described the talks as "businesslike and cordial."

Foreign Secretary Raul Manglapus, Manila's chief negotiator, said before the talks resumed there were "some very interesting indications" that Washington had relaxed its position.

The talks broke down a week ago after Manila, demanding a \$1.2bn annual cash package, spurned the American counter-offer as too low.

Manila and Washington narrow rift over bases

PHILIPPINE and American negotiators indicated yesterday that they were working towards a compromise on the divisive issue of how much Washington should pay for the two US military bases in this country, Renter reports from Manila.

One week after talks on the future of Clark Air Force and Subic Bay Naval Bases broke down because of disagreements over compensation, the two sides had more than two hours of talks in a bid to end the deadlock.

The discussion of the compensation issue encompassed a variety of economic options and the exchange of views will

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ABBAY NATIONAL

WORLD TRADE NEWS

GATT ANNUAL REPORT ON INTERNATIONAL TRADE

Protectionist farm policies are restricting growth and trade

Recent improvements in prices have done nothing to reduce the urgent need for reform, William Dullforce reports

Recent improvements in the prices of many farm products have done nothing to reduce the urgent need for the reform of governments' policies on farming and agricultural trade.

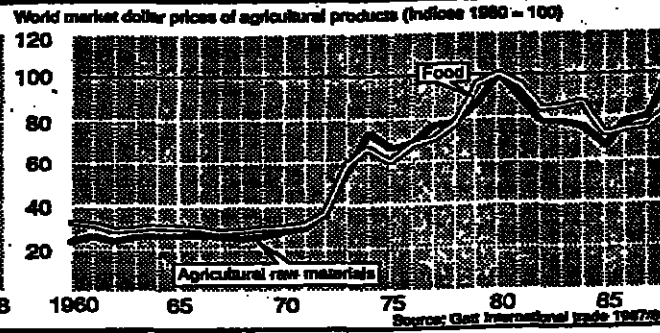
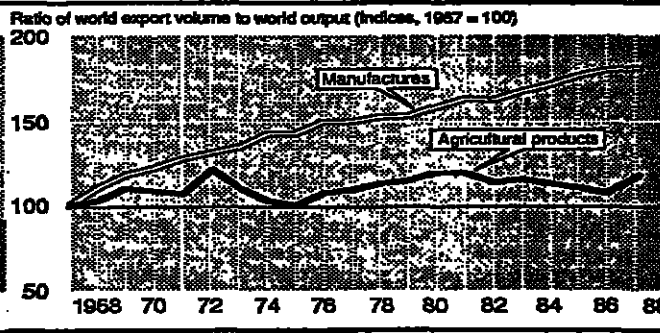
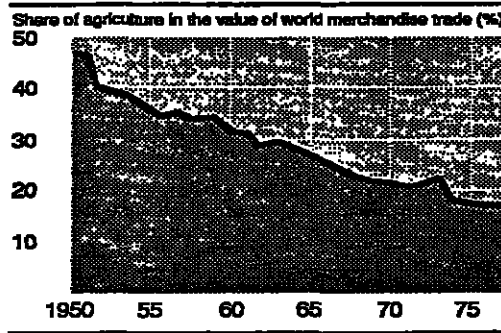
Subsidies on exports of farm produce and the current protectionist policies of many industrialised countries, designed to protect farmers' incomes, are contributing significantly to the poor performance of agricultural trade.

These are two of the principal conclusions drawn by Gatt's economists in the section of the annual report which charts the almost uninterrupted decline in agriculture's share of world trade.

The study is apposite at a time when negotiations on the reform of world farm trade in Gatt's Uruguay Round are in danger of becoming deadlocked.

Agriculture's share of world merchandise trade has plummeted from 46 per cent in 1950 to 13 per cent last year. The decline has been accompanied by increasing friction between governments over farm policies.

Agriculture



These two features are not independent. If agriculture had been a dynamic sector of world trade, countries' farm policies would have been of less concern to their neighbours, Gatt comments.

The report assesses performance in terms of the ratio of exports to production. The rise in the share of agricultural production which is traded internationally has been much less pronounced than that for manufactures (see table).

Despite a notable increase in the ratio last year, it was still

slightly below its 1980 level. Farm trade has not declined absolutely; it has climbed from \$28bn in 1950 to \$325bn last year. But it has grown more slowly than the rest of world merchandise trade.

This sluggishness reflects the greater scope for product innovation and differentiation in manufacturing but also a downward trend in world market prices for farm produce relative to the prices of other goods.

On average between 1950 and 1987 the dollar value of world

exports of farm products increased by 7 per cent a year compared with 10.5 per cent a year for total merchandise.

Gatt economists attribute the recovery in the prices of many farm commodities since the beginning of 1987 to several factors, including the depreciation of the dollar, the strong economic growth in East Asian countries and China, which are among the largest importers; the substantial increase in Soviet food imports; and the easing of the foreign exchange

situation in several oil-exporting countries which are large net importers of farm products.

Lower output was another element. Depressed prices before 1987 had discouraged production, for instance, of wheat in Australia and Canada and of palm oil in Malaysia.

Chis in support prices and supply controls in the US, the European Community and Japan also helped to reduce output last year.

World stocks of several commodities have fallen. The US drought will affect this year's

crop of wheat, maize and soybeans. Together with a general rekindling of inflationary expectations, these developments are reinforcing the upward pressures on prices.

However, the Gatt economists point out, the pick-up in prices and export volumes for farm goods in 1987 was not enough to prevent a further decline in agriculture's share of world trade.

More fundamentally, they argue, in important markets such as those for cereals, dairy products, sugar and meat, government subsidies, import restrictions and market sharing arrangements continue to exercise a major influence on trade.

In their analysis of the impact of farm policies, the Gatt economists point out that the raising of trade barriers and the introduction of production and export subsidies have turned previous net importers of farm goods into net exporters.

Examples cited are the US, the EC and China in a variety of products.

Manufactures lead trade volume increase

By William Dullforce in Geneva

MANUFACTURED goods last year resumed their traditional role as the most dynamic element in world merchandise trade. An estimated 5.5 per cent expansion in volume represented a substantial acceleration from the 4 per cent increase recorded in 1986.

The pick-up in manufactures was the driving force behind the 5 per cent increase last year which capped five consecutive years of growth and brought the volume of world trade to a record level, one quarter above that reached in the 1982 recession.

The annual report from the General Agreement on Tariffs and Trade, the first part of which was published yesterday,

records a 16.5 per cent increase in the value of world merchandise exports to \$2,475bn in 1987.

In addition to the 5 per cent growth in volume, this increase reflects higher dollar prices for oil and other primary commodities and a valuation effect due to the appreciation of major currencies such as the Yen and the DM against the dollar.

Gatt breaks down trade developments by product and geographical area. Import demand in the industrialised countries remained the strongest force on trade volume, even though its growth slowed from 8.5 per cent in 1986 to 6 per cent last year.

However, the acceleration in the momentum of trade last year is traced to a sharp turnaround in import demand in developing countries from a substantial decline in 1986 to a volume increase of 3 per cent.

Asia continued to emerge as the most dynamic exporting region, the dollar value of its exports in 1987 being more than 70 per cent above their 1980 level compared with an average increase of little less than 25 per cent for total world trade.

The combined exports of Hong Kong, South Korea, Singapore and Taiwan, which surpassed in value the exports of the OPEC countries in 1986, came close to matching the

aggregate exports of all the other non-OPEC developing countries last year.

At the product level the overall boost in trade of manufactures masked some recent rapid changes in the commodity pattern. Thus, the volume of trade in electronic products, currently accounting for about 12 per cent of world trade in manufactures, increased more than twice as fast as the total trade.

The dollar value of exports of electronic products (excluding the Soviet Union and Eastern Europe) increased by more than 20 per cent, Gatt estimates.

Chemicals, where Western Europe's trade performance

was the decisive element, gained about 20 per cent in dollar value last year, while the value of trade in textiles and clothing rose sharply.

By contrast trade in automotive products expanded less than the volume of total trade for the second year in a row. The volume of the steel trade now estimated to represent about 5 per cent of trade in manufactures, declined again.

International Trade 1987/88 will appear in a two-volume set, available in English, French and Spanish from the Gatt Secretariat, 154 Rue de Lausanne, 1211 Geneva 12. Price Sfr50. The document published yesterday reproduces the first two sections of Volume 1.

Boost for 'dynamic' exporters

By William Dullforce

DYNAMIC EXPORTERS tend to be dynamic importers, economists from Gatt argue. They use their statistics to underline the case for free trade and partially to defend newly industrialised countries accused of keeping their own markets closed while they boost exports to others.

A new table introduced to this year's annual report ranks countries by the average annual rates of growth in the dollar value of their exports between 1970 and 1987. The table also shows import growth.

South Korea, Taiwan, Hong Kong and Singapore top the list in that order with Turkey in fifth place and China sixth.

Of the world's 10 biggest

exporters in terms of trade value, starting with West Germany, the US and Japan, none is among the top 10 exporters or importers ranked by long-term trade growth. Japan is in 12th place in the export growth league.

More significantly, 17 of the 32 countries reporting above-average export growth between 1970 and 1987 also show above-average import growth.

The evidence is even more striking for the most recent period 1982 to 1987 with 28 out of 32 countries combining rapid export and import growth.

The data, the Gatt economists comment, indicate that, despite the problems that have plagued the world economy

since the early 1970s, access to the world market has helped many countries move up the development ladder.

Moreover, they add, since these countries tend to spend the 'foreign exchange they earn, their dynamism is spread to other trading nations.

Elsewhere the annual report notes that accelerated growth of imports of manufactures into Hong Kong, South Korea, Singapore and Taiwan alone accounted for about one-third of the faster expansion of world trade in manufactures last year.

These four countries were responsible for 9 per cent of world exports and 6 per cent of world imports of manufactures in 1987.

Companies invest in Vietnam

TWELVE foreign companies have invested in Vietnam this year, and countries are urged to end isolating Vietnam, an official Vietnamese radio broadcast said. Reuters reports from Bangkok.

Twenty foreign companies had expressed interest in a liberalised investment code.

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Conjuring with a Turkish illusion

Jim Bodgener reports on the problem of bogus export returns

FICTITIOUS export returns have been a perennial problem in Turkey ever since tax rebate incentives were introduced in the early 1980s to encourage an export drive.

But a hue and cry in the press has finally persuaded the Treasury and State Planning Organisation into drawing up measures to tackle a problem once shrugged off as an unavoidable ill. They are only just in time: the tax rebate system will be phased out completely by next April to comply with Turkey's obligations under the General Agreement on Tariffs and Trade subsidy code.

The extent of the abuse has never been fully revealed. Senior officials and ministers all the way up to the Prime Minister, Mr Turgut Ozal, have denied publicly that there is a serious problem. Privately, however, senior Treasury officials admit bogus returns may have amounted to as much as 5 per cent of Turkey's \$10.19m sales in 1987. The press claims it ranges between 15 per cent and a third of the total.

But most papers dwell only in passing on an alarming aspect for Turkey's Western creditors - that the country's debt-servicing creditworthiness in international financing circles might in fact be an illusion, conjured up by fake export earnings.

If the figures being touted by the press are correct, then between \$1.5m-2m of Turkey's record performance in 1987 are bogus exports. Such a discrepancy might wipe out the narrowing of the current account deficit for the year by 35 per cent to \$78m, which would have severe implications for Turkey's international debt servicing ability.

Officially, the balance of payments improvement, from a bad year in 1986, has continued into the first two months of 1987, when the current account deficit contracted further by 16.5 per cent to \$65m. Exports from January to April this year have remained above \$1bn a month (arguing well for the Government's year-end target of \$13bn target), but dipped in

May.

Trading companies can register dummy exports in several different ways. The most

If the figures being touted by the press are correct, then between \$1.5m-2m of Turkey's record performance in 1987 are bogus exports.

straightforward is to register with the Turkish customs the export of goods which never leave the country. Another is to lodge a receipt for a much higher amount than paid by the overseas customer, sometimes with the latter's connivance. The goods can also be misdespatched - in a recent case, an exporter was charged with passing off plastic pens and ashtrays as gold and crystal.

Foreign bankers, particu-

larly those directly engaged in export financing, say the stories are too sensational. One, whose Istanbul-based institution handles about 10 per cent of the market, says he has no evidence of fraudulent claims.

The main culprits are small companies, although large trading houses have been implicated in the press. Small companies often trade through the larger houses - called foreign trade corporate companies (FTCCs), with exports totalling \$100m or more - to share in the latter's extra tax rebate privileges. The FTCCs used to rubber-stamp these deals, but now they are more careful, says Professor Cem Alpar, secretary general of the FTCC pressure group, Turktrade.

More pressing economic problems such as rising fuel bills are likely to take the heat out of the dummy export controversy in the autumn. But the opposition and a hostile press have given warning that they will maintain a relentless public scrutiny of the Government's vulnerable economic track record in 1988.

HK video clampdown

THE HONG KONG authorities are mounting a major clampdown on the colony's thriving trade in pirated video tapes and computer software, in a series of raids by customs officers, our Hong Kong Correspondent writes.

The first raid came on Sunday, and was centred on the shopping arcade well-known locally for its wide range of pirated software selling for a

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Daewoo Heavy Industries Ltd.

W Germans in Soviet shoe deal

By David Goodhart in Bonn

KLOECKNER-Werke, the West German steel and capital goods group, has announced a joint venture with one of the Soviet Union's shoe makers, Skorochnod of Leningrad.

The deal coincides with a renewed effort by the Government's of both countries to forge closer economic links. Trade between West Germany and the eastern bloc has been stagnating in the last few years, mainly because of lack of spare cash in the eastern bloc, and joint ventures remain rare.

Under the terms of the Kloeckner deal, a new company, called Deskor, will be established in the Soviet Union 70 per cent owned by Skorochnod and 30 per cent by Kloeckner Ferroarmatik Desma. The latter is a Kloeckner-Werke subsidiary based in Bremen which specialises in shoe manufacturing technology.

Neither party to the deal was prepared to reveal any financial details. But the deal has clearly been carefully prepared and the two companies have had a relationship going back to 1984.

Skorochnod has been borrowing German technical expertise to improve shoe quality, and the German company, which employs 2,800 workers in five plants, hopes to have opened an expanding market for its machines.

Sweden set to curb Japan cars

By Sara Webb in Stockholm

SWEDEN'S FOREIGN Trade Ministry said yesterday that it hopes to see an end to "the excessive development" of Japanese car exports to the Swedish market, following signs from Tokyo that the car industry is willing to limit sales to Sweden.

The issue of the alarming surge in Japanese car exports will be taken up again this autumn when officials from Japan's Ministry of International Trade and Industry and its Foreign Ministry are expected to visit Stockholm for further trade talks.

Nihon Keizai, the Japanese economic newspaper, reported recently that the Japanese car industry has decided to limit its exports to Sweden and hold them at 1987 levels, but dipped in

Boat telephones for Caribbean

By Hugo Dixon

BOAT-OWNERS will be able to make phone calls while travelling around the Caribbean, as a result of a venture announced yesterday by Cable & Wireless, the UK-based international telecommunications company.

C&W, which provides telecommunications services in 14 Caribbean countries, has set up a company called Boat-Phone Marketing, in which it has a 51 per cent stake. Caribbean Cellular Telephone, which already runs a mobile phone service in the British Virgin Islands, will own 49 per cent.

The new service will work on cellular technology. A radio station will be placed on each island and, when a boat moves out of range of a signal from one island, it will be handed over automatically to the next.

Although people on land will eventually be able to use the mobile phone service, it will be targeted initially at the maritime community, particularly cruisers and yachts.

C&W said that many boats

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UK NEWS

Kinnock sounds warning on higher interest rates

By Ivor Owen

MR NEIL KINNOCK, the Labour leader, yesterday accused Mrs Margaret Thatcher, the Prime Minister, of creating a situation in which there could be a return to the high interest rates and overvalued pound experienced in 1980-81 and which led to a 20 per cent reduction in Britain's manufacturing base.

In a statement issued at Westminster he contrasted the recent intervention by the Bank of England to stem the rise in the sterling exchange rate with her earlier statements opposing such action.

Mr Kinnock recalled that in March Mrs Thatcher had said: "There is no way one can buck the market." He added: "So instead the market has bucked her - and even worse has bucked Britain".

Arguing that earlier intervention would have been more effective, he said: "The speculators would have seen that the

Bank and the Government were determined to prevent the rise in the exchange rate and turned their attention elsewhere."

Mr Kinnock maintained that the market would have calmed four months ago if the Government had been willing to make clear its resolve to act early and firmly to stabilise the exchange rate and give priority to the competitiveness of British producers and exporters.

Instead, the Prime Minister and Mr Nigel Lawson, the Chancellor of the Exchequer, had been "locked in a theological dispute" followed by an interest rate see-saw.

Mr Kinnock claimed that the latest developments had stemmed from the Prime Minister putting the Chancellor on the head "so showing the markets that he has come to heel and they can safely speculate because she does not mind how high interest rates and, there-

fore, exchange rates, go".

He emphasised that the balance of payments deficit, interest rates and inflation were all rising. While the speculators and foreign competitors were gaining, British taxpayers, home buyers and producers were losing.

Questioning whose side the Prime Minister was on, Mr Kinnock said: "She might claim to be battling for Britain on her trip abroad, but she is battering Britain with her policies at home."

In a parallel move Mr Gordon Brown, Labour's shadow chief secretary to the Treasury, wrote to Mr Lawson saying that yesterday's figures showing a rise in UK reserves last month did not show the extent of intervention.

He urged him to follow the advice of the cross-party Treasury and Civil Service Committee and reveal the cost of such intervention.

Rothschild named as advisers on water sale

By John Hunt

N M ROTHSCHILD and Sons, the merchant bank, has been appointed to advise the Water Authorities Association on the privatisation of the water industry in succession to Kleinwort Benson, which withdrew recently because of a conflict of interest.

Kleinwort dropped out because it was also advising the Government on the sale of the electricity supply industry. The two privatisation bills, on water and electricity, will be going through Parliament next session and the bank decided it could not advise on both.

Rothschild, too, is heavily involved in electricity privatisation but does not face the same conflict of interest. It is advising the 12 area electricity boards that will distribute power, unlike Kleinwort which was advising the Government on the electricity sell-off.

Nevertheless, Rothschild will still face the difficult task of handling the two huge simultaneous privatisations.

The difficulty may be eased, however, as the Government is now considering putting the water privatisation bill through Parliament first and allowing a short "breathing space" before proceeding with electricity. A final decision will be made on this before the House of Commons and House of Lords resume in the autumn.

A spokesman for the Water Authorities Association, which represents the 10 authorities of England and Wales, said it was satisfied that there was no conflict of interest.

It is clear that Rothschild's extensive experience in privatisation weighed heavily in its appointment by the WAA against competition from other merchant banks. It was involved in the privatisation of British Gas, Rolls-Royce and the controversial BP privatisation.

The company has two strong teams in place to tackle the two privatisations and their work will be co-ordinated by Mr Michael Richardson, its head of corporate finance.

The immediate task will be to advise on the restructuring of the water authorities and the regulatory matters as the Government's legislation emerges.

Atomic energy body seeks new technology role in Europe

By David Fishlock, Science Editor

A NEW role for the UK Atomic Energy Authority as Europe's most powerful research and technology organisation has been forecast by Mr John Collier, its chairman.

Mr Collier, questioned about government plans to end its £305m fast reactor programme, said it would be entering new European markets under the banner of AEA Technology.

But he also held out hopes that its 250MW fast reactor at Dounreay, Caithness, in the north of Scotland, might survive until the late-1990s, instead of closing in 1993 as the Government announced last month.

If a better tariff for electricity from the reactor could be negotiated with the privatised Scottish electricity industry, it might be possible to keep it running until 1998-2000, he said.

A doubling of the present tariff of about 1.45p a kilowatt-hour would allow the authority to run FFR on a self-supporting



John Collier: emphasis on non-nuclear markets

basis, said Dr Brian Ayres, board member for research programmes.

Mr Collier, presenting the authority's annual report, said he gave highest priority to ending its "over-dependence" on

the electro-nuclear industry, and to opening new non-nuclear markets in Britain and abroad.

Its non-nuclear business, growing at 10 per cent a year, had to grow faster. Any company with technical problems "would be mad not to consult the largest research and development organisation in Europe," he said.

Its activities for the petroleum industry earned £7m last year, Mr Collier said. Defence, process engineering were other non-nuclear activities in which it was already involved.

"Among our less publicised skills, we can carbon-date ancient relics, cut a suit using laser beams and dry out antique books without destroying their delicate paper," he claimed.

With the nuclear demands on its time diminishing, these skills were becoming available to overseas as well as UK industries.

Anglican leaders vote for women bishops

Financial Times Reporter

ANGLICAN CHURCH leaders have supported the consecration of women bishops by a decisive majority.

The decision by 423 votes to 228 at the 10-yearly Lambeth Conference, means that autonomous Anglican provinces around the world may appoint women bishops if they wish. But no part of the church is obliged to have women bishops - and both sides in the argument regard among the clergy have been told to respect each other's standpoints.

Dr Robert Runcie, the Archbishop of Canterbury, is to set up a commission to oversee and monitor the appointment of women bishops. The subject has dominated the first two weeks of the meeting of church leaders at the University of Kent at Canterbury.

Strong opposition to the concept of women bishops continues within the church, however. It comes mainly from Bishop of London, Dr Graham Leonard, who insisted that he would never accept a woman bishop. "I would not be able to accept her having normal episcopal qualification," he said.

Dr Runcie said: "The final decision of this as a custom within our church, as a tradition in our church, will wait upon its general acceptance - and obviously that does not happen in a moment."

The controversy over the role of women was heightened because of the American church's wish to consecrate the world's first woman bishop next month.

GEC-Plessey wins £18m System-X deal

By Hugo Dixon

A CONTRACT worth more than £18m has been won by GEC Plessey Telecommunications, the leading UK telecommunications manufacturer, to supply its System-X digital exchanges to Kenya.

This is the largest export order yet for the exchanges, and the first since GPT was formed in April, out of a merger of GEC and Plessey telecommunications operations.

Both parties to the merger had previously manufactured and marketed System-X exchanges separately, the main rationale for the merger being to remove this duplication.

The contract involves supplying the Kenya Posts and Telecommunications Corporation with 16 System-X exchanges providing 78,000 exchange lines, as part of the country's modernisation programme. It includes the supply of computer-based operator services for each exchange.

Kenya has previously bought 100 of GPT's smaller UXDS exchanges.

Contractors wary of local services plan

By Michael Smith

THE GOVERNMENT'S plan to improve the efficiency of local government services through compulsory competitive tendering received a setback yesterday when two of Britain's biggest contract caterers indicated they would be highly selective in choosing the authorities they would compete against.

Sutcliffe, a subsidiary of the P & O Group with annual turnover of £200m, announced that its strategy would usually be to work in partnership with local authorities to help them win work for their in-house services. Only rarely would it make competitive bids of its own.

Gardner Merchant, Britain's biggest catering contractor and a subsidiary of Trusthouse Forte, said it would only put in tenders for work where authorities were actively seeking change. Mr Gary Hawkes, chairman, said his company would "not go anywhere near" councils, such as Sheffield, which were hostile to the idea of privatising services.

Under compulsory competitive tendering, due to be come into effect in stages from August next year, councils will be required to allow private companies to bid for contracts to run services including street cleaning, refuse collection, catering and leisure management. Catering is thought to be one of areas most likely to be privatised.

The Government intends to use tendering to shake up what it sees as complacent councils, many of them left-wing, into reducing costs. In one sense, its aims are already being achieved as authorities tighten up operations to ensure they are able to compete effectively.

Nevertheless, Sutcliffe's statement means that a major potential source of competition for in-house council catering services will be effectively removed. Gardner Merchant's stance means that left-wing councils, the main target of the Government's strategy, will often be able to ignore another potential bidder.

BTG almost doubles profits

By David Fishlock, Science Editor

A RETURN to healthy profitability is reported by the British Technology Group, the state-owned agency for technology transfer, following a year in which unexpected setbacks had reduced earnings.

BTG also reports that Toshiba, the biggest Japanese maker of nuclear magnetic resonance (NMR) medical scanners, has agreed to pay it royalties on the use of British patents, following earlier agreements with General Electric of the US and Hitachi.

BTG is being investigated by

Coopers & Lybrand, on behalf of the Department of Trade and Industry, as a potential candidate for privatisation.

"Business as a whole is still progressing well," said Mr Colin Barker, BTG chairman, presenting his annual report. Pre-tax profits almost doubled to £2.25m last year, on total revenues from licensing and industrial projects of £21.4m. BTG also doubled the revenue shared with its inventors to £3.18m - mostly drawn from the portfolio of NMR patents.

However, Mr Barker warned

that these patents are valid for only another five or six years. BTG still has hopes of persuading Siemens and Philips in Europe to pay royalties on their sales of NMR scanners.

About 50 out of the Group's 500 or so ongoing projects are identified as potential money-spinners for the 1990s. They included an anti-anxiety drug licensed to G. D. Searle, a US group, now part of Monsanto; and machinery which it hopes will be the next major development in grain harvesting.

Political boundaries set for review

By Peter Riddell, Political Editor

THE SHAPE of England's parliamentary constituencies, each of which returns its own member to Westminster, is likely to be reviewed shortly after the next general election: sooner than had been expected.

The regular reviews of parliamentary boundaries have considerable electoral and political significance, reflecting as they do a long term shift of

population away from inner city areas - generally strongholds of Labour Party support - to the Conservative suburbs and rural towns.

Just before Parliament rose for the summer recess, Mr Douglas Hurd, the Home Secretary, announced that the Parliamentary Boundary Commission for England was obliged to report between February 1,

1993, and January 31, 1998. The exact timing and conduct of any review is a matter for the commission.

However, he added, "I understand that, at present, the commission hopes to submit a report to me as early as it can within the statutory period."

This implies a report in the life of the next parliament, which could last from 1991-92

until 1995-97, depending on the timing of general elections.

The last review, in 1983, is estimated to have cost Labour 15 to 20 seats in the House of Commons, through elimination of small inner city constituencies and the creation of suburban and rural ones. The changes could be smaller next time, but are still likely to be adverse for Labour.

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Foreign earnings by institutions drop 5 per cent

By Ralph Atkins, Economics Staff

THE OVERSEAS earnings of institutions in the City of London fell by 5 per cent last year, according to Central Statistical Office figures released yesterday.

The drop, which followed seven successive years of growth, was mainly a result of a fall in the overseas earnings of UK banks.

However, total City earnings from abroad were still more than 1 1/2 times greater than in 1983, and more than five times larger than in 1979.

Overseas earnings amounted to £2.5bn in 1987 of which £4.8bn was accounted for by the insurance sector and £1.4bn by banking institutions.

The figures, compiled once a year by the CSO, cover identified earnings of institutions defined as being part of the City of London.

They include the earnings of securities dealers, unit trusts, pension funds, commodity traders and export houses as well as banks and insurance companies.

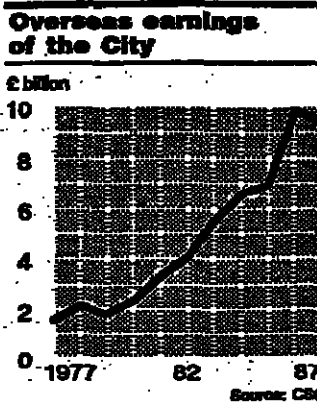
The fall is likely to be interpreted as of some concern for the Government because overseas earnings from the City help to pay for imports of goods and services into the UK.

However, the Treasury said recent years had seen substantial growth while the latest figures largely reflected a pause in one area.

The fall in bank earnings resulted mainly from a decrease in net interest paid abroad by the sector. This rose from £1.1bn in 1986 to £2.5bn in 1987.

This is probably explained by smaller margins on lending perhaps reflecting stronger competition. Earnings of the sector could also have been affected by provision for Third World debt.

UK banks saw a small fall in portfolio investment income last year but earnings from



Overseas earnings of the City (£ billion)

services continued to grow. Overseas affiliates of UK banks and affiliates of overseas banks based in the UK both saw a marked decrease in earnings.

The CSO said the figures are unlikely to have been dramatically affected by October's stockmarket crash. The fall in share prices would not have affected interest payments and brokers' commissions may even have been boosted by the high turnover in the immediate aftermath of the crash.

Among insurance companies, the figures show £2.5bn was earned from abroad from underwriting last year - little changed from 1986. Overseas earnings of subsidiaries of UK insurance companies were slightly above their 1986 level.

There was a marked rise in earnings from brokerage by City institutions - from £824m in 1986 to £850m in 1987. This includes estimates of brokerage commissions of securities dealers.

However, reliable estimates of the remainder of securities dealers' earnings were not available. The CSO said arrangements for a comprehensive system of statistical reporting by securities dealers are being discussed by the Bank of England and the securities industry.

Way clear for early privatisation of steel

By Nick Garnett

BRITISH Steel Corporation will become British Steel plc from September 5 as part of the legislative changes leading to the flotation of the business, almost certainly in November.

The British Steel Act enabling this to happen received royal assent at the end of last week and the Government announced yesterday the date for formally transferring the corporation into a public limited company.

The Crown will continue to hold all the shares in the business until flotation when the corporation will be privatised under the British Steel name.

"The corporation's recent record profits of £40m for the last financial year show that it is now ready to stand on its own feet in the private sector," Lord Young, the Trade and Industry Secretary said.

"The way is now clear to proceed to privatisation as soon as practicable."

Sasatchi and Sasatchi was chosen last week out of a list of six companies as the advertising agency for the flotation. The flotation's advertising budget will be between £5m and £10m.

The flotation is expected to raise between £2bn and £2.5bn.

Nottingham City Technology College spearheads education reform

Hard work, no play at city school

By David Thomas, Education Correspondent

ONE OF BRITAIN'S most innovative schools is planning to abolish summer holidays.

The idea is the brainchild of the Nottingham City Technology College, one of a series of colleges being set up jointly by the Government and industry as part of a new initiative to raise educational standards in the inner cities.

They will be non-fee-paying secondary schools, designed for children with a talent for science and technology. Private companies will cover part of their capital costs and be heavily involved in running the colleges.

Nottingham college, due to open next year, had already disclosed its interest in a no-

strike, single union deal with its employees, which would be the first in Britain's schools. It has now agreed a further raft of measures taking it more deeply into unchartered waters.

Out goes the three-term year: Nottingham will have four terms. Out too goes the long summer holiday: Nottingham's four terms will each be separated by a two-week break. The customary holiday in the middle of each term is also likely to disappear.

The college's pupils will be expected to work hard. There will be a 4 1/4-hour week for pupils aged over 15, who will work from 8am to 5.30pm, five days a week. The younger chil-

dren will work shorter hours, but all will go home to compulsory homework of up to two hours.

Nottingham's structure and curriculum will be unfamiliar too. It will include a centre for industrial studies, which Mr John Ramsden, its project director, hopes to staff with secondees from local industry, believing that areas such as careers advice and vocational training are best handled by people with fresh experience.

Staff recruited so far include the deputy head, who will also be known as the director of finance and administration, and a faculty head, one of whose main jobs will be to

Free to determine its own pay arrangements, the college has abandoned the complex salary scales which apply in other state schools. Every teacher who does the same job will be paid the same, although a merit pay scheme modelled on industrial practice may be introduced later.

Nottingham will pay its teachers slightly above the going rate - Mr Ramsden said it would offer £18,250 for a faculty head, compared with £18,250 in a secondary school of similar size. But it will expect them to work harder - to cope with the longer hours and shorter holidays. "That's another mould we've broken," said Mr Ramsden.

Submarine peace offer rejected by unions

By Michael Smith

SHOP stewards at VSEL, the submarine building yard, yesterday rejected decisively a peace formula put forward by the company to end a seven-week strike at its main Barrow in Furness yard.

A meeting of the union officials voted by 380 to 13 against accepting the company's offer of introducing fixed summer holidays over three years, rather than in 1989 as it had originally proposed.

The decision flew in the face of a recommendation from the national Shipbuilding Negotiating Committee, which is part of the Confederation of Shipbuilding and Engineering Unions and took part in discussions between unions and management last week, that the VSEL package be accepted.

The conflicting advice will be considered this morning by a mass meeting of workers.

VSEL proposals would mean each worker being given a one-off payment of £200 together with two days' extra pay in 1990 and three days' in 1991 and thereafter. In return they would agree to a one-week fixed summer holiday in 1990 and two weeks in 1991 and thereafter.

Electricians win single union railway deal

By Philip Bassett, Labour Editor

WORKERS on the recently-opened London's Docklands Light Railway have narrowly voted in favour of single-union representation by the EETPU electricians' union - instead of the traditional unions for the railway industry.

A count yesterday by the Independent Electoral Reform Society showed that employees on the rapid transit railway,

which connects the fast-growing Docklands area to the main London Underground network, have voted by 43 votes to 39 in favour of the EETPU against a consortium of the NUR, Aslef and TSSA rail unions.

It is the first time in recent British industrial relations that employees, rather than employers, have chosen between two unions on offer to them.

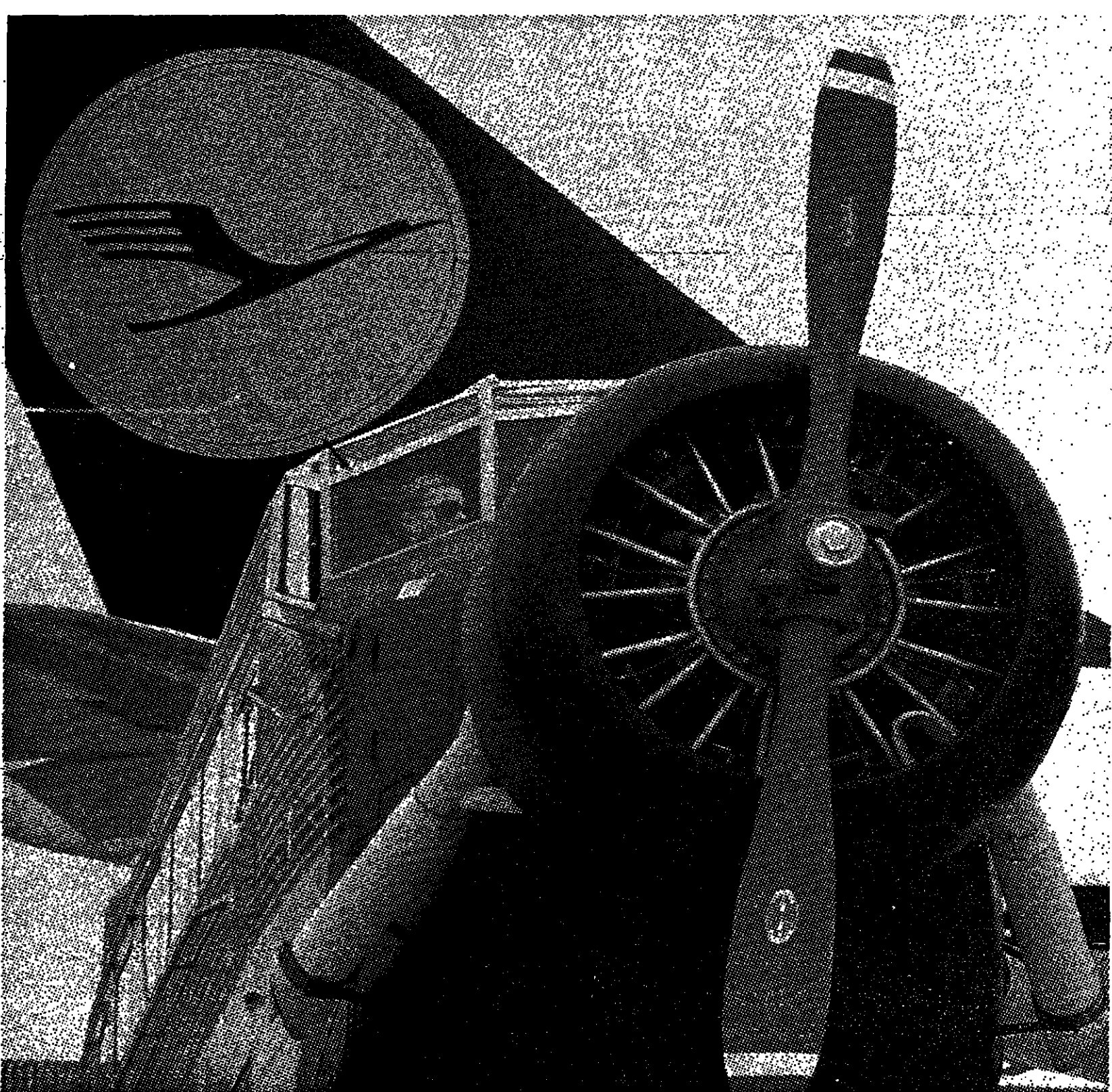
It is also the first real test of recognition between competing unions since the EETPU was suspended from the Trades Union Congress for refusing to withdraw from two of its controversial single-union, strike-free deals.

EETPU leaders said that the vote had been influenced by the dispute between the union and the TUC, which looks

likely to lead to the EETPU's expulsion at the TUC Congress next month.

The DLR's employee arrangements are not wholly in line with the EETPU's other single-union deals, but some of their main features - only one union being recognised, and a company council which reaches agreement on pay and conditions - closely follow those of similar EETPU deals.

Aviation history and Lufthansa grew up together.



Bank plans £750m auction of gilts

By Ralph Atkins, Economics Staff

THE BANK of England yesterday announced the issue, by auction, of £750m of short-dated gilt-edged stock.

The issue follows three experimental auctions since May last year. It will cover an additional tranche of existing 8 1/2 per cent Treasury stock due for redemption in 1994 and will be partly paid.

The size of the issue is slightly smaller than expected by most analysts and is thought to reflect the buoyancy of government finances, which has reduced the need for large borrowing. The Bank of England has said it expects to hold another auction of up to £1bn of stock early next year.

The latest issue is thought to

have been timed largely at building speculation, which have been hit by the collapse of the October's stock market crash. The issue is not free of tax for non-residents, which would have made it more attractive to overseas buyers.

The auction will take place on August 10. A balance of £500m every £100 of stock will be payable on September 19. Dealing started yesterday on a "when issued" basis, with buyers settling the day after the auction.

Reaction to the announcement was modest, with some uncertainty about who would buy the stock. By the end of the afternoon it was trading below its peak of the day although higher than existing stock of the same type because of the advantages of its being partly paid.

The stock closed at 244, giving a yield to redemption of 8.58 per cent.

Mr John Shepperd, economist at Warburg Securities, said there was some concern within the market about demand for the stock. "There is going to be some degree of nervousness before the auction itself," he said.

The auction announcement includes some minor changes to bidding procedures: Professional investors can bid in thirty-seconds-of-a-pound (the way in which prices are quoted in the market) and the Bank has increased the minimum permissible bid to £100,000 from £1,000.

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JOBS

How living costs vary around the world

By Michael Dixon

FROM the Jobs column's viewpoint, a good many of you readers seem to be globe-trotters if not flibbertigibbets. Hardly a week goes by without one or two folk calling to say they have been offered a move from Nasty (Hertfordshire) to El Dorado, or something such, and wonder how much pay they would need in the new location to preserve their accustomed style of life.

That is always an extremely complex question because the answer depends on so many factors. Small variances — even a relatively few miles in a large country, for instance — can make a notable difference. So does time, of course. While many organisations compile measures of worldwide living costs, by the time they have published the information on which they are based tends to be out of date.

Nevertheless today I am offering comparative figures on such costs in a range of places, which readers will be able to update to give at least a rough gauge of differences for a fair time to come. The figures, shown in the table up there to the right, are drawn from the P-E Inbucon management consultancy's latest survey of international living costs. All I have room for here is but a minuscule extract from the full report. Anyone wishing to know more should contact Penny Bunting

Place	Living cost index	Inflation %	Exchange rate £1 =	Place	Living cost index	Inflation %	Exchange rate £1 =	Place	Living cost index	Inflation %	Exchange rate £1 =
Japan, Tokyo	163.9	1.2	234.25	UK, London	100.0	3.3	1.00	Cyprus, Nicosia	82.4	5.4	0.84
Bulgaria, Sofia	147.8	6.2	1.47	Qatar, Doha	98.9	6.0	6.84	Indonesia, Jakarta	80.9	14.5	3,121.41
Romania, Bucharest	131.4	4.8	14.78	Spain, Madrid	96.8	4.3	208.40	Hong Kong, Victoria	80.8	6.3	14.70
Norway, Oslo	128.8	7.0	11.78	Bahamas, Nassau	93.5	6.3	1.89	Portugal, Lisbon	78.7	8.9	258.70
Finland, Helsinki	123.6	4.1	7.52	Luxembourg	93.0	0.6	65.35	Tunisia, Tunis	78.1	11.5	1.53
Switzerland, Zurich	123.4	1.7	2.58	Jordan, Amman	92.5	5.0	0.63	Kenya, Nairobi	77.3	12.0	31.85
Denmark, Copenhagen	117.7	4.3	11.94	US, Los Angeles	92.3	3.9	1.89	Malaysia, K Lumpur	77.3	3.0	4.53
Sweden, Stockholm	118.8	5.2	11.00	Trinidad, P of Spain	91.0	12.1	6.77	Morocco, Casablanca	75.2	10.0	14.79
Libya, Tripoli	115.8	9.0	0.52	US, New York	90.6	3.9	1.89	Thailand, Bangkok	74.4	3.6	48.00
S Yemen, Aden	111.3	8.0	0.65	Oman, Muscat	90.4	5.0	0.72	China, Beijing	73.7	10.0	6.86
Iraq, Baghdad	110.1	13.0	0.98	UAE, Abu Dhabi	89.2	5.0	6.92	Panama, Panama C	73.7	3.0	1.89
Taiwan, Taipei	110.0	2.5	53.83	Greece, Athens	88.9	14.2	249.10	Philippines, Manila	72.8	5.0	39.10
Austria, Vienna	107.4	1.9	21.94	UAE, Dubai	87.8	2.0	6.92	S Africa, Jo'burg	70.9	14.7	3.99
USSR, Moscow	104.7	7.0	1.09	South Korea, Seoul	86.6	3.2	1,399.90	Sri Lanka, Colombo	70.1	10.2	58.00
Germany, Frankfurt	104.3	1.0	3.13	Singapore	85.8	1.0	3.77	Jamaica, Kingston	69.8	7.5	10.13
France, Paris	103.5	2.4	10.80	Canada, Toronto	85.7	4.0	2.33	Zimbabwe, Harare	68.2	9.0	3.22
Ireland, Dublin	103.0	3.1	1.17	Bahrain, Manama	85.2	2.5	0.71	Pakistan, Karachi	66.9	7.0	33.20
Italy, Milan	101.9	4.9	2,318.00	Kuwait	85.2	1.0	0.51	India, New Delhi	66.0	8.0	25.50
Belgium, Brussels	101.8	1.0	65.35	US, Washington	85.1	3.9	1.89	Botswana, Gaborone	64.1	7.0	3.18
Netherlands, Amst'm	100.8	0.5	3.51	Australia, Sydney	83.8	7.1	2.54	Bolivia, La Paz	64.1	11.0	4.23
Germany, Berlin	100.2	n/a	3.13	Czechoslovakia, Prague	83.6	5.0	15.84	Swaziland, Mbabane	63.0	13.3	3.89
N Yemen, Sana'a	100.0	12.8	19.25	Saudi Arabia, Jeddah	83.2	7.0	7.06	Hungary, Budapest	61.2	10.5	68.56

of the consultancy at Park House, Wick Road, Egham, Surrey TW20 0HW; telephone 0784 34411, fax 0784 37822.

A drawback of most living-cost measures available is that they tend to be based on the spending pattern of people of some particular sort. The United States "Washington Index" is tailored specifically to US nationals employed abroad, for example, and the index compiled by the United Nations is patterned on its own staff around the globe.

With a view to ironing out some of the variances, P-E Inbucon takes half a dozen

widely used measures and, wherever at least three cities fairly consistent costs for a location, averages them out. The result is an "index of indices" this year covering 190 places, of which my table includes 66 ranked from the most to the least expensive.

The first column of figures after each place's name gives its living cost index. It is produced by taking the cost in the place concerned of a range of goods and services typically used by expatriate families, and expressing that cost as a percentage of the combined prices of a comparable range of

items in London. Alas, since the question of what is a proper standard for house prices is much like "how long is a piece of string?", no account is taken of them.

The following column gives some idea of inflation in the country concerned. The figure cited is in every case the latest annual inflation rate available at the date when the index of indices was compiled: April 1 1988. The table is confined to places with rates below 15 per cent. Hence the absence of Argentina, Brazil, Egypt, Israel, Nigeria, Poland and so on. Next comes the exchange

rate in terms of how much of the particular local currency could be bought for £1 on April 1 1988. In three instances, where more than one rate is quoted, a choice had to be made. The commercial rate has been used for Belgium and South Africa, and the tourist rate for Czechoslovakia.

My object in giving those four-month-old exchange rates is to provide the means of adjusting the indices in line with market movements. The adjustment can be made for each place by taking the rate for its currency cited here, dividing it by the rate in force

at the later date, and then multiplying the result by the index number in the table to produce an updated index.

Which said, I am left with two regrets. The first is that, in a paper with an increasingly international clientele, I have had to place the index on a specifically UK base. But I'm told that converting the basis to some other currency should still give a tolerable albeit rough idea of relative costs.

The second regret is that, having offered a do-it-yourself 66-centre living-cost estimator, I shall probably no longer hear from as many people bound for intriguing places, such as....

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Please speak with Stephen Medhurst on 377-5040.

NEW ISSUES DOCUMENTATION

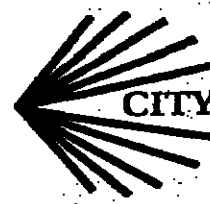
£20-25,000 p.a.

£20s/30s

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LJC BANKING APPOINTMENTS

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Mary Eaton, City Technology Colleges Trust
37 Queen's Gate, London SW7 5HR. Tel: 01-581 2733

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City
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Girozentrale Vienna
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THIS POSITION WILL suit an existing analyst in the Stores sector who is capable now of assuming increased responsibility and coverage.

A FURTHER POSITION is available for a Salesman with particular experience in the Stores sector.

APPLY in confidence to Box A0966 Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

Handwritten signature or mark at the bottom of the page.

MANAGEMENT

Ask teaching staff at one of continental Europe's international business schools what their role is and you get a clear and confident answer: to develop managers who can operate across national frontiers.

Ask the same question at London Business School and staff will tell you they do not know what their role is. Life at the school's Regent's Park premises is very comfortable, they say, but nobody knows where the school is going. There is no sense of common purpose.

"We are more a federation of independent entrepreneurs than a cohesive institution," one senior member of the faculty says. This does have its advantages, says John Hunt, professor of organisational behaviour, in that it makes for diversity and creativity.

But he and his colleagues recognise that they will, together, have to make some important decisions over the next few years. The creation of a single European market in 1992 will sharpen the debate over whether LBS should be primarily a British or an international school.

The current drive to improve the education of Britain's 2.75m managers presents LBS with another dilemma: should it provide for the training needs of a large number of managers, or should it be a centre of academic excellence?

Added to this is the difficulty that all business schools have in recruiting competent staff at salaries far lower than they would earn in finance or industry. LBS is concerned, too, about the future of its government grant.

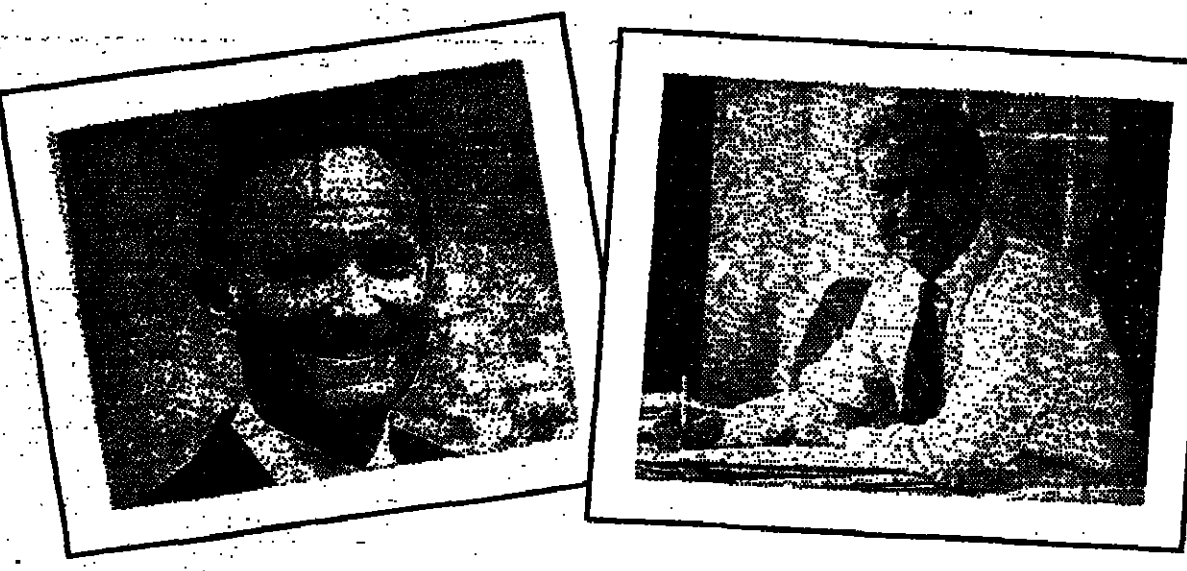
Last year, the University Grants Committee cut its funding by 20 per cent. Some, like Professor Brian Griffiths and Hugh Murray of City University Business School, believe that business schools should manage without any financial assistance from the state.

LBS will face these challenges under a new leader. The school's principal, Peter Moore, steps down next summer. The search for his successor has already begun. Moore is a courteous and approachable man, but his colleagues allege that he has failed to provide the school with the focus and leadership that it needs.

Moore himself says that the school has achieved significant successes since he became principal in 1984. "We have expanded steadily," he says. "We have built a new building. We have lived through the trauma of the UGC funding changes. In the last five years we have doubled the money we have raised from research. Our research income is now about 80 per cent of our annual UGC grant. It is about 35 per cent in universities as a whole."

"The school has become more international. I think we have raised the awareness of the school considerably. We had 260 visits outside a year five years ago. Now we have 1,500 press cuttings. We have also got our Royal Charter." The Charter, awarded in 1986, made LBS a university in its own right.

Moore became principal after 12



John Hunt (left): expected to apply for the post of principal of the LBS after Peter Moore (right) retires

LBS: in urgent need of a sense of direction

As Britain's premier business school begins the search for a new principal, Michael Skapinker outlines the dilemmas that will confront him

years as deputy principal. At the time of his appointment, some on the LBS governing body argued that an industrialist should be appointed instead. A similar debate is taking place today over whether Moore should be succeeded by an academic or a businessman.

Two LBS faculty members have been mentioned as possible candidates: John Kay, the research dean, and John Hunt. Kay says he is not interested. "It's not particularly what I want to do with the next five years of my life," he says.

Hunt refuses to say whether or not he is a candidate, but it is thought that he will definitely apply for the job. His colleagues seem lukewarm about the idea. "One could do a lot worse," says a member of the teaching staff. "Equally it doesn't sound an exciting appointment. I think we want someone who's a strong leader with a sense of vision and mission."

Derek Abell, the dean of Insead, a rival school in Lausanne, has also been mentioned as a possible principal for LBS. Abell says, however, that "whatever anybody at LBS thinks, nobody has discussed it with me." He is deeply involved in plans to merge Insead with the International Management Institute in Geneva and has already said that he would like to head the merged school.

When names of industrialists are discussed, one that keeps coming up is that of Sir John Harvey-Jones, former chairman of ICI. He, however, says that nobody has asked him to take on the job. If they did he would be "very hard-pressed to find the time."

Whoever becomes principal faces a difficult task. "It's going to take a very unusual individual," says Dean Berry, who began teaching at the school in 1966, served as dean of Insead, the international business school in Fontainebleau, in the 1970s, and now teaches at LBS part-time. "Everybody will say they want strong leadership. They mean they want strong leadership over someone else." For the new principal, Berry says, "there's a substantial rebuilding job. Somebody's going to have to come in and build some institutional pride."

Apart from persuading a talented and individualistic faculty to focus its attention on some common objectives, the new principal will have to settle the question of how academic and research-oriented LBS should be.

Charles Handy, a part-time LBS professor and the author of a major report on UK management education, believes that the school's individualistic culture is the direct result of its academic origins. LBS began in 1955 as part of London University.

University academics typically see themselves as researchers and teachers of their particular subject rather than as part of a corporate entity. "If you went to Cambridge University you wouldn't find a consistent view of what Cambridge was," he says.

LBS "seeks to study and analyse business and to teach what it knows to as good a group of students as it can get. That's importantly different from educating an elite group of managers. If you were educating an elite group of managers you would start with what those managers need to know."

Instead of starting with what managers need, Handy says, LBS academics pursue the research that interests them and "then share what they know with their students. That's very much the university model. I think the school, consciously or unconsciously, is set in that mould."

One former member of the faculty says that in any business school, "there's always this tension between research and being a professional school." In recent years, he says, LBS "has tended to veer in the direction of becoming more academic."

The research for which LBS is best known are the economic forecasts of its Centre for Economic Forecasting, headed until recently by Professor Alan Budd. The school has six other research centres, including the Institute of Finance and Accounting, the Public Sector Management Group and the Design Management Unit.

Peter Moore rejects the charge that much of LBS's research is too theoretical. "We only do research here which has some sort of pay-off in terms of what we can teach or which will be of

use to business and the economy generally. We have done work on things like the domestic appliance market throughout Europe which showed that it is not one market but a series of domestic markets. It's those sorts of things that the research is going into."

John Kay, who became research dean last year, concedes, however, that "research has been seen as an individual rather than a school activity. One thing I would like to do is develop a more coherent strategy, with our own publications and more organised press communication."

Whatever its shortcomings, LBS's research is the envy of the other European schools. Insead has embarked on a major effort to increase the amount of research it does. The International Management Institute is also devoting more time to research.

Where Insead, IMI and Inmed believe they have the edge over LBS is in the international environment they offer. Although Insead is based in France and IMI and Inmed in Switzerland, all three schools draw their staff and students from all over the world. By contrast, LBS's faculty is overwhelmingly British, as are the majority of the students.

Erroy Dimson, the director of London's MBA programme says he feels "very hard done by" that others perceive that Insead and IMI are more international. LBS is in London. There are so many people passing through. Nobody passes through Lausanne. Nobody passes through Fontainebleau. You can never say that LBS lives in a vacuum."

Of the 130 students who have just completed their two-year full-time MBA courses, 98 per cent were non-British, representing 27 countries. Of the UK students, 31 were placed for a term with students from business schools abroad, further enhancing the school's international flavour, Dimson says.

To some, like John Hunt, however, the school still concentrates too much on British issues. "1992 is as big a challenge to us as to anyone else," he says.

Not everyone agrees. John Kay says while the school needs to have international faculty and students, "in the end, our mission is primarily to improve the quality of British management."

This, too, is an issue the new principal will have to settle. The market for international MBAs is becoming increasingly competitive. Insead has acquired an enviable reputation. A merged school comprising IMI and Inmed would be an attractive option for upwardly-mobile managers.

Nor can LBS rest on its reputation as Britain's top school. Schools like Ashridge are already winning praise for their innovative approach to management development. Perhaps the greatest threat, however, will come from two universities whose international reputation no European institution could hope to better: Oxford and Cambridge, both of which are talking about introducing MBAs of their own.

Training Back to school

David Thomas analyses a study of whether company practice might benefit teachers

Management is all the rage in Britain's schools. Hemmed in by financial pressures and having to cope with the Government's educational reforms, head teachers are taking an interest in the management of their resources as never before. Talk of the head as the chief executive is becoming commonplace.

Yet most teachers, including heads, are painfully aware of their lack of management expertise. Their training has typically been confined to classroom and curriculum matters. The Department of Education, responding to the concern, is ploughing money into management training for heads and governors.

Set against this background, Nick Minton had a bright idea. A teacher in the London borough of Enfield, he set out to study how companies train their managers, with a view to coming up with recommendations for improved management training for teachers. He applied for a fellowship at Homerton College, a specialist education college in Cambridge, which allowed him to do just that.

Minton spent much of 1986 in the management training sessions of a clutch of Britain's biggest companies. They included not just British Petroleum, which sponsored the Homerton fellowship, but also Barclays, British Gas, the Electricity Council, Ford, Marks and Spencer, RMC, J Sainsbury, W.H. Smith and Wellcome. Minton must have become one of the best informed people in Britain about how the big chips train their managers.

Minton emerged convinced that much of the content and many of the techniques of industrial training could be transferred to the educational sector. The two spheres "have substantial areas of mutual concern and interest when it comes to staff development and training needs," he concluded in his report, newly published by BP's educational service.

He goes further by calling for an exchange of training personnel. "There seems to be considerable potential for some system of reciprocal secondment between industrial training departments and cen-

tres responsible for teacher training." Many of the recommendations for teacher training flowing from Minton's project are stunningly naive. Thus, having spent hours studying how some of the best and brightest of Britain's companies train their managers, Minton advises teacher trainers that "different people learn in different ways" and that "a general understanding of human behaviour would probably be of interest to many teachers."

The report continues in equally Pooterish fashion about time management (it helps), communication (the ability to communicate is not innate), meetings (some are badly organised, pointless and a waste of time), interviewing (interviewees should be trained), financial management (ditto) and delegation ("there is, after all, more to delegation than just telling someone what you want him/her to do and then letting him/her do it").

There are two possible conclusions to draw from Minton's report. Either senior teachers are already being trained in the elementary skills described in the report, but Minton does not know this. Or the absence of management training for the people who run Britain's schools is more total than almost anyone imagined.

Plunging for the second option would be charitable to Minton, if not to Homerton College. The second option also implies that industrial trainers have almost nothing to learn from their educational counterparts.

Unless, that is, in helping to cope with stress. For one of Minton's other conclusions is that "teaching has for some time been regarded as one of the more stressful occupations." By whom?

"There is no worse lie..." Industrial management training and the training of teachers. Nick Minton. From BP Educational Service, PO BOX 5, Wetherby, West Yorkshire, LS 23 7EH. Free.

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International Appointments

CL CREDIT LYONNAIS

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A. 職種 主要外貨のデポジット・スワップ (運用調達) を自ら行い且つ スポット・ディーラー・チームの指導をする

B. 条件

- 1) 年齢 30 ~ 35 才
- 2) 欧州又は米国市場にて デポジット及びスワップ・ディーラーとして 5年以上経験のある人
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For further details please contact: John Green at the address below or phone 01-248 3653. All applications will be treated in the strictest of confidence.

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NBS
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We supply chemicals to the manufacturing industries.

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Requirements:

- university degree in business administration or similar qualification
- basic knowledge of German language would be helpful (support in learning/improving will be given)
- good knowledge of PC handling

Candidates must be willing to take their domicile in West Germany for a longer period and should be prepared after several years to join one of our international companies as financial controller.

Applicants should write enclosing a full CV and salary details to the attention of

Mr. Rainer Herrmann
Personnel Department
Brentag AG
Humboldtstr. 15
D-4300 Muelheim (Ruhr) 12
West Germany

General Appointments

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Our client is an expanding hotel company specialising in the Country Hotel Market. The Managing Director will play a leading role in development of the company by acquisitions and management of the existing hotels.

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Interested candidates should send a career resume including salary history to:

F Dada
Freemans and Partners, Chartered Accountants
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Paris-based US/UK stockbrokerage firm starting an Ethical and Social Portfolio Management Division

We are looking for people whose backgrounds combine ethical and social issues (such as animal rights, environmental protection, labour relations, temperance, energy conservation, etc.) with marketing, financial analysis, or securities industry experience.

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Please reply to Box A0965, Financial Times, 10 Cannon Street, London EC4P 4BY

TECHNOLOGY

Chance to exploit a defence invention

DEFENCE Technology Enterprises, a company that aims to commercialise military inventions, has agreed licences with three UK companies to exploit a laser-based analysis technique devised by Defence Ministry scientists.

Bernard Herden, DTE's managing director, believes total sales of products derived from the laser technique could run to £300m over the next decade. Herden says the invention, developed at the Royal Signals and Radar Establishment in Great Malvern, Worcestershire, is one of the most exciting products to have emerged from the company's activities.

DTE, formed three years ago and based in Milton Keynes, includes among its backers Barclays Bank, Lazard Brothers and Robert Fleming. It obtains ideas from Defence Ministry research establishments and places them with companies for commercial development, in exchange for a royalty fee.

The laser technique is based on a method invented by RSRE scientists for studying the flow of gases from jet engines. A laser shines on the tiny particles found in gas streams; the degree to which the light is scattered gives an impression of a particle's position and the speed at which it is travelling.

DTE believes the technique could be equally applicable to a range of monitoring applications: measurement of air particles in pollution instrumentation, analysis of water samples and measurement of biological fragments found in blood.

The biotechnology company Ors, of Slough, which is developing automated purification systems, has taken out a licence on the invention, which could be used to monitor the size and concentration of molecules in chemical mixtures.

Ors believes it could form a sensing device for use in its future products. With the help of the RSRE, the company is attempting first to miniaturise the optics involved in the laser.

The two other companies which have taken out licences have not been named. They are involved with water purification and pollution control.

Peter Marsh

Last October the world's first fully automatic toll system was installed on Norway's west coast. It enables motorists to drive through a new 7.7 kilometre road tunnel, which links the mainland town of Alesund to the islands of Ellings and Valder, without stopping or even slowing down to pay.

The system, called Premid, was developed by the Norwegian subsidiary of Philips, the electronics group based in Holland. It is the first automatic toll system based on microwave communications to go into operation, although a number of others are being developed around the world.

Regular users of the Alesund tunnel have an electronic identity plate about the size of a cigarette packet fixed to a side window of their car or truck. When they pass the toll station, an array of aerials by the roadside aims a burst of low-power microwaves at the vehicle. The identity plate, which contains a tiny memory, reflects microwaves back to the antennae.

The reflected signal contains coded information about the vehicle, which the Premid computer compares with the information it holds about the subscriber. If everything is in order, it deducts the Nkr 25 (£2) toll fee from his or her account.

In addition to the two barrier-free lanes for Premid subscribers - one in each direction - the Alesund tunnel has both manned booths and automatic machines for people who want to pay by cash or card.

More than 3,000 vehicles a day use the Premid lanes; this is nearly 60 per cent of the traffic passing through the toll station. Premid allows 1,500 vehicles an hour to go through the toll at peak periods - three times as many as a fully manned station.

Subscribers obtain an identity plate by submitting an application form to the Alesund and Giske Bridge Company, the private company which operates the toll station, or to a local bank. The form requests details of the vehicle and the type of subscription required; this can be for a specified number of journeys or a monthly or annual ticket.

At the same time, subscribers authorise their bank to renew the subscription automatically when it expires and debit their account. This eliminates additional administration costs.

Although the Premid lanes at the toll station have no physical barriers to prevent non-subscribers sneaking through illegally, a sensor on the road monitors every vehicle that passes. If its identity plate is missing or not in order, a red light warns the driver to stop. If he or she still keeps going, a video camera automatically records the number plate.

In some cases it turns out that the driver is not deliberately defrauding the system but is a subscriber whose plate is not properly installed. He or she is then notified and a correction made.

If the vehicle is carrying an invalid identity plate or no plate at all, the

The non-stop route towards a smart card for cars

Clive Cookson and Karen Fossli report on an automatic toll that heralds the era of the intelligent journey

authorities will fine the owner Nkr 300 (£25). They even try to pursue offending foreign drivers by mail.

After nine months of operation, only seven drivers in 1,000 pass through the toll station illegally. Most of these are people who drive through the Premid lanes by mistake and the toll operators expect the number of illegal passages to decrease to about two per 1,000 once people become familiar with the system.

Premid is based on electronic identity plates which Philips developed originally to keep track of items moving around automated factories. Cars being assembled in BMW, Fiat, Audi and Volkswagen factories are equipped with these plates.

The system has several other potential uses. For example, Philips is testing the plates for installation on high speed trains operating between Paris and Lyon, in France. This would

An electronic identity plate the size of a cigarette packet is fixed to a side window

enable the distances between trains to be monitored and the information could be used to increase traffic.

But it is the automatic toll application that has aroused the most interest. Visits have been made to the Alesund tunnel by representatives from government departments responsible for roads in the UK, France, Spain, Italy, Japan and Australia. The EC would like to see European standards for automatic toll systems and it too has taken a keen interest in the system.

From the UK, Rodney Jones, manager of the notoriously congested Dartford Tunnel, where the M25 motorway crosses the Thames east of London, has inspected the Alesund

toll station. He was impressed by the technology, but does not expect to see a fully automatic toll system installed at Dartford until the early 1990s, when a new bridge will be opened alongside the tunnel.

Jones believes that, if barrier-free lanes similar to those at Alesund were used at Dartford, several hundred cars a day would drive through them illegally without identity plates. "Chasing up the payments would be a bureaucratic nightmare," he says. "It might be better to install the system with a barrier and accept that it would run a bit more slowly."

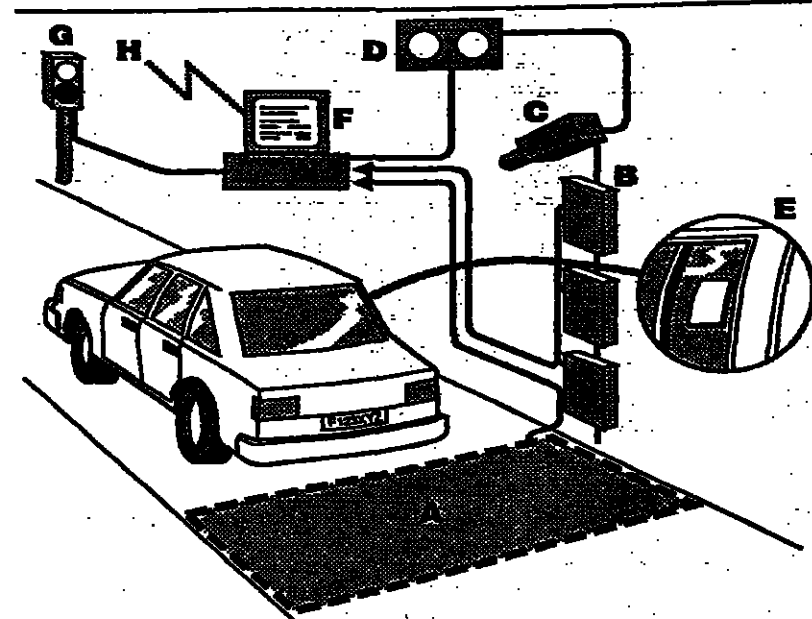
Philips is discussing the possible supply of Premid to Italy. There are about 2,000 entry and exit points on the Italian highway system, which at present have manually operated toll stations. It takes about a minute to complete each vehicle transaction. With Premid, vehicles could drive through without stopping and staffing costs would be much reduced.

Looking to the future, the company says that it aims to measure the speed of oncoming cars to improve the synchronisation of the system. It could then work with cars travelling at 70 mph on a motorway.

While Philips strives to improve the Premid system, competitors are developing similar techniques for automatic toll collection, though none is commercially available. Philips says that it knows of one US-based company which has plans to test a system this year. A small Norwegian firm is also developing one.

In the UK, researchers from Newcastle University and Newcastle Polytechnic are working on a microwave communications system for vehicles. They see automatic tolls as its first practical application and they have just gone into partnership with Marconi Electronic Devices, a GEC subsidiary based in Swindon, to commercialise the system. Its first trial is likely to take place next year at the Tyne Tunnel, east of Newcastle.

The Premid toll system



Source: Philips

The Newcastle team has produced a smart card for the car window which, at about the size of a credit card, is smaller than the Premid plate. It contains a microprocessor as well as a memory chip.

This additional intelligence means that if a subscriber pays in advance for a certain number of passages, the card itself will deduct the appropriate fee whenever the car passes through

The Newcastle system could be used to transmit traffic information from roadside beacons

the toll. With Premid, a central computer has to process this information - and the Newcastle researchers believe that some drivers object to the idea of a computer keeping track of their movements.

The processing power and communications speed of the Newcastle system mean that it could also be used to transmit route guidance and traffic information from roadside microwave beacons to moving vehicles. The receiver card on the window would then be connected to a microcomputer on the dashboard. A driver could, for example, key in his intended destination and directions for getting there would appear on a small display panel.

A package that makes sense of statistics

CUTTING through a mountain of economic and financial statistics to spot undiscovered bargains is how investment analysts carry their daily bread. A software package launched this week could make their life a little easier.

Industry Monitor, developed by WFA (Wharton Economic Forecasting Associates), promises to rationalise information from diverse sources. It works by taking the data and converting it to a standardised format. The material is updated overnight and can be used for graphs, reports or forecasting.

Information comes from the Confederation of British Industry survey of industrial trends, the Central Statistical Office and the FT Actuarial share indices. The three sources are based on different classes of systems. Industry Monitor uses data that has been rearranged according to sectors used for the share indices - making it most useful for the financial community.

The designers believe the package will allow analysts to spot sectors which are undervalued or overpriced. For example, the share performance of an industrial sector can be compared with output or orders figures.

With the stock market still nervous after last October's crash, fund managers and analysts are putting greater emphasis on the quality of research. WFA believes analysts by sector forms an important part of that strategy.

Bill Martin, chief UK economist at Phillips and Drew, the securities house, has been developing an economic model including industrial structure and flows between sectors. He says that, since the crash, analysts have tried to focus more on economic fundamentals, but have found "an enormous gap between macro-economic analysis and what the sector analysts say."

Ralph Atkins

FT LAW REPORTS

No Panel injustice to Guinness

REGINA v PANEL ON TAKE-OVERS AND MERGERS, ex parte GUINNESS PLC Court of Appeal (Lord Donaldson, Master of the Rolls, Lord Justice Lloyd and Lord Justice Woolf): July 28 1988

The Takeover Panel committed no injustice towards Guinness in refusing to postpone a hearing as to whether its takeover of Distillers was effected by a concert party based in the City Code, in that Guinness had had evidence supporting a finding of concert party in its possession for nine months and had had ample time to formulate submissions, and there was no reason to think that a postponement would lead to disclosure of further or better information.

THE Court of Appeal so held when dismissing an appeal by Guinness plc from the Divisional Court's decision (28022 FTLR 50) not to grant judicial review of the Takeover Panel's refusal to postpone a hearing arising out of Guinness's takeover of Distillers Co plc.

LORD DONALDSON said that in December 1985 Argyle announced an offer for the shares of Distillers. In January 1986 Guinness put forward a rival offer. Rule 11(1) of the Take-over Panel Rules provided that where 15 per cent or more shares were purchased for cash, the offer should "except with the consent of the Panel... be not less than the highest price paid by the offeror or any person acting in concert with it".

The Rules defined persons acting in concert as persons who cooperated to obtain control of a company through the acquisition of its shares.

Guinness and those acting in concert with them at that time held marginally less than 15 per cent of the Distillers shares.

That meant that whereas the cash offer was 60 pence per share, if the 15 per cent limit was exceeded, Guinness would have to raise its offer to 731 per share, that being the highest price at which the Guinness concert party had acquired Distillers shares. Argyle was only offering 600 per share.

On April 17 1986 Mercury Warburg, which owned 8 per cent of Distillers shares, decided to sell by cash settlement that day. A buyer was found in Pipatec AG, a Swiss company. The agreed price was 705 pence per share.

When the deal came to the knowledge of Argyle's advisers, they invited the Panel to investigate with a view to finding out whether Pipatec was acting in concert with Guinness. The invitation to investigate was received by the Panel Executive on April 17 1986. The last day for either offer to be successful was April 18 1986.

Stockbroker, Cazenove, said the order to buy the shares had been received from Banque Leu in Switzerland. Pipatec told Guinness that it had no connection with Guinness. That was confirmed in a letter dated April 17 from Guinness director, Mr Olivier Roux, to the Panel.

The Panel concluded that on the available evidence it should take no action. Guinness declared its offer unconditional on April 18.

On December 1 1986 inspectors were

appointed by the Secretary of State for Trade and Industry to investigate Guinness affairs.

In January 1987 Bank Leu wrote to Guinness referring to agreements between Guinness and the bank's subsidiaries, whereby the subsidiaries had agreed to buy £50m of Guinness shares and had confirmed the purchase of £75.6m Distillers shares, and Guinness had agreed to repurchase the shares within 60 days.

The letter stated that the documents setting up those arrangements were signed by Guinness directors, Mr Olivier Roux, and Mr Tom Ward. There followed a boardroom upheaval, as a result of which a new Guinness Chairman was appointed.

Guinness accountants were given a copy of a letter "the Pipatec letter" dated April 18 1986 purportedly signed by Pipatec and addressed to Mr Ward. The letter referred to Pipatec's hearing, on Mr Ward's instructions, bought £75.6m Distillers shares, and Guinness's having undertaken to pay Pipatec an arrangement fee of £47,250 and to repurchase the shares within 60 days.

On May 11 1987 the Panel became a "designated authority" by the Financial Services (Disclosure of Information) (Designated Authorities No 2) Order 1987. The effect was that the Secretary of State was permitted, but not required, to disclose information to the Panel which he had acquired from his inspectors.

In June the Panel proposed to investigate the Pipatec purchase. If a hearing was needed, it would be held on September 2.

In August the DTI passed the Pipatec letter to the Executive. On August 10 the Executive told the Guinness solicitors it had a copy of the letter. Guinness disputed its accuracy, and pressed that there should be no hearing. At a preliminary meeting on August 25 the Panel refused to vacate the September 2 hearing date.

On August 28 the Executive gave Guinness advisers the final version of its submissions for the September 2 hearing. It disclosed a letter from Allen & Overy, Bank Leu's solicitors, dated August 27 1987, protesting at the refusal to adjourn the September 2 hearing.

They said that Bank Leu had decided to confine itself to a short statement of facts for the purpose of the hearing. They stated that the Distillers shares were purchased by Pipatec, and were subsequently accepted to the Guinness offer for Guinness shares.

At the September 2 hearing the Panel held there had been a concert party operation. Guinness obtained leave to apply for judicial review of the Panel decisions of August 25 and September 2 refusing to postpone the hearing. The application was refused by the Divisional Court. Guinness now appealed.

The judicial review jurisdiction of the High Court was supervisory. It had a large discretionary content. It was not the court's practice to entertain an application for judicial review unless and until all avenues of appeal had been exhausted.

Essentially the August 25 application was for a long adjournment, ie until after all proceedings, civil and criminal had been concluded, and the DTI report had been published.

The September 2 application was essentially for a short adjournment to enable Guinness to respond to the Executive's final submissions.

In the circumstances of the present appeal it was appropriate to consider whether something had gone wrong of a nature and degree which required the intervention of the court, rather than to approach the matter on the basis of separate heads of *Wednesbury* unreasonableness and unfairness or breach of natural justice.

Mr Oliver for Guinness submitted that the Panel approached the matter as though it were an investigation taking place within the constraints of time imposed when a bid was current, whereas the bid had been concluded 15 months earlier.

It was not unreasonable for the Panel to regard the investigation as having some of the character of an investigation contemporaneous with the bid because first, it was concerned with precisely the same issue as arose during the bid, and second, assuming there had been a concert party, the primary reason it was not dealt with during the currency of the bid was that Mr Roux for Guinness had falsely confirmed in the April 17 letter that Guinness had made no financial arrangements with Pipatec.

On August 25, there were very powerful indications that Pipatec had been involved in a concert party operation. Unless the Panel were to embark on some further and different methods of investigation, there was no realistic basis for believing that an adjournment would provide it with other or better evidence.

By September 2 the Panel had the Allen & Overy letter containing the Bank Leu statement. It amounted to a complete admission that the Pipatec purchase was indeed a concert party operation.

The September 2 application was based on the late arrival of the Bank Leu statement and Guinness's need to indulge in frenetic activity if it were to prepare an adequate submission over the Bank holiday weekend.

Of actual injustice there was no trace. The essential evidence supporting a finding of concert party along the lines set out in the Pipatec letter, which had been in Guinness's possession for nine months, and the corroborative evidence, apart from the Allen & Overy letter, had been in Guinness's possession for ample time to enable it to formulate submissions, as indeed it had been continually urged to do.

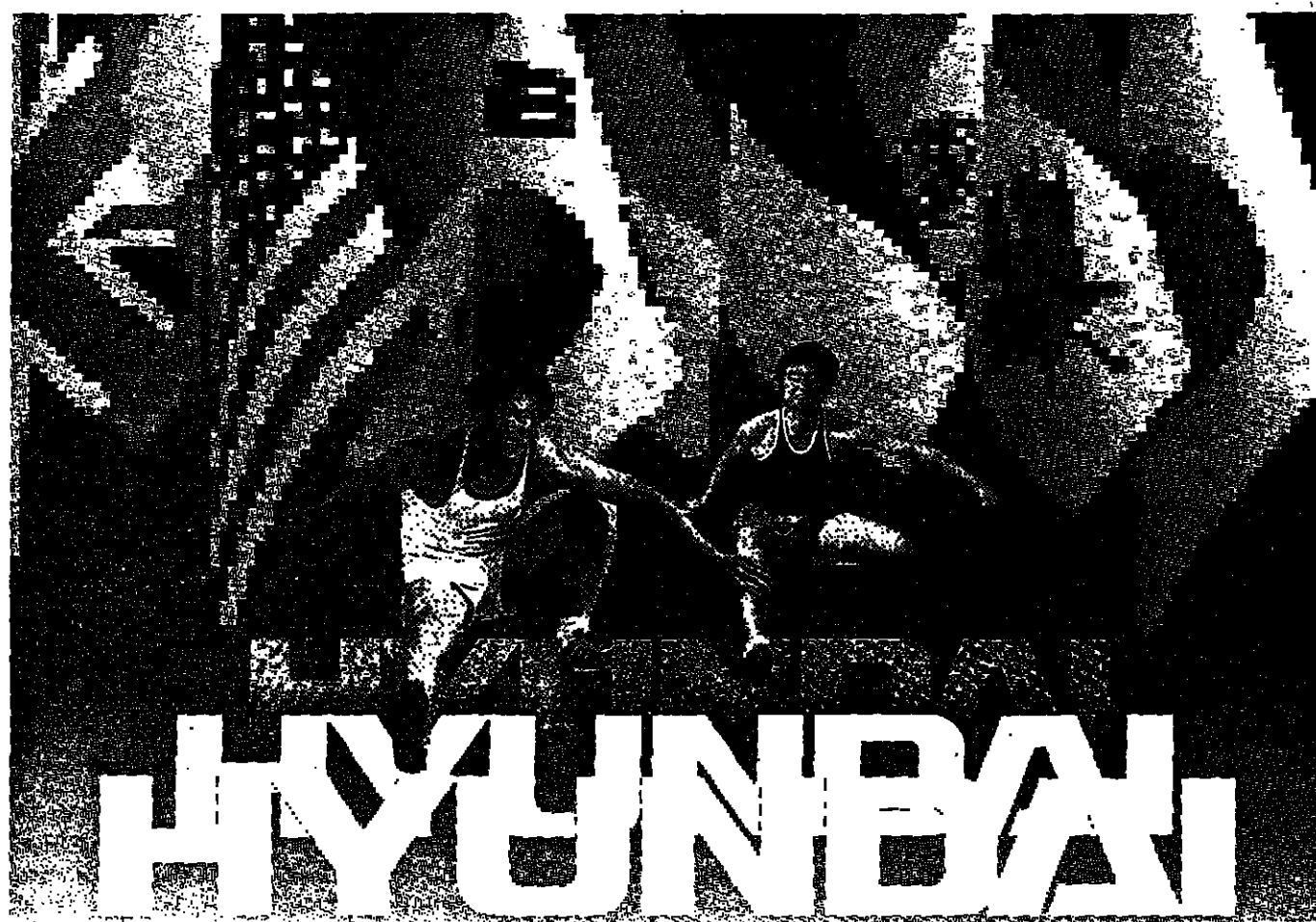
While the Panel could never have been criticised if it had granted a short adjournment, its decision not to do so was not wrong.

The appeal was dismissed. Lord Justice Lloyd and Lord Justice Woolf gave concurring judgments.

For Guinness: David Oliver QC, Richard Field QC and Patrick Elias (Herbert Smith & Co)

For the Panel: Roger Buckley QC and Paul Walker (Lancell White Durrant)

Rachel Davies Barrister



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ARTS

One big bang — and several whimpers

Max Loppert sums up the second part of Bayreuth's Ring

So now we know, Bayreuth's new Ring is the one — it had to come, sooner or later — in which Brünnhilde sets off a nuclear explosion at the end of her final Immolation Scene...

however, that the content of this closing scene does not come upon the audience without warning: there are large hints, from the late-1880s industrial detritus piled up in Siegfried's forge...

It is a serious matter when any producer makes something so ludicrous of the climax. The case against reviewers spilling such beans is clear, but having weighed it up, I concluded that it would probably be more helpful than harmful to warn visitors to the Harry Kupfer production that a final ten minutes of the most stupendous kitsch awaits them...

The high-tech tricks (such as the laser-beam banks) meant to dazzle — lands more than one dramatic development in self-imposed difficulty. No doubt the charge of lack of atmospheric variety, of differentiation between Ring locations, and of simple eye-appeal (not to mention charm, beauty, poetry, tenderness, or the myriad other qualities that the operas are also capable of imparting) will not be made by every Bayreuth audience-member equally...

is the high point of the Bayreuth visit. It is odd, given Kupfer's formidable reputation for making dynamic dialectic out of opera, that it is the small things that seem valuable and memorable. Wagner's long spans and broad horizons have eluded him pretty largely.

Kupfer and Barenboim have made up their cast from first-time Ring performers, and it tells. One can only assume that next year, or perhaps in the remaining 1988 cycles, the intervening experience will have lent greater definition to Philip Kang's Hagen.



The Harlem Dance Theatre in action

Harlem Dance Theatre

Into a London already bulging at the seams with appearances by the Kirov, Australian and Festival Ballets, comes a fourth visiting troupe — Dance Theatre of Harlem. Always an ensemble with a fond public, the company opened its season last night; alas, it was a less than engrossing programme, albeit the dancing served to alleviate something of the choreographic nullities in the evening.

The opening Serenade, Balanchine's proving ground for his earliest students in the City in States, is a masterpiece which today has an especial relevance for the Harlem artists. In it they find those challenges about classic presence, about American academic dancing, which were part of its purpose half a century ago.

Clement Crisp

TELEVISION

Market dogma hits the screen

There seems to be a growing possibility that British television is heading for a historic, tragic, and unnecessary decline. The reasons are fairly simple: the Government (or at least the Cabinet... well, Margaret Thatcher anyway) is determined that the enterprise economy shall be imposed upon the business.

TELEVISION

Market dogma hits the screen

is represented by the MPs being shown the tape. Some of the ideas going into the White Paper could benefit viewers and might lead to wider programme choices. A fifth terrestrial channel, one in the 1980s a sixth, would probably be welcomed by many viewers, eventually. A single authority for the whole of commercial television — terrestrial, cable and satellite — is less sensible than taking the state out of television altogether and leaving control to the law of the land (a really sound Thatcherite policy, you might think) but more sensible than the proliferation of quangoes, and that body might as well be the ISA.

TELEVISION

Market dogma hits the screen

David Thomas in a Man and Music production. Would there be room for such programmes in the new market? But none of that alters the fact that the results of their work in programme terms and viewer satisfaction have been remarkable. Last week Rupert Murdoch, whose Sky TV plans to start beaming four satellite channels into Britain early next year, attacked the BBC and ITV for being "deeply elitist".

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THEATRE LONDON. Two Covers By Hell (Old Vic). A Fine Georgian production by Richard Jones. The House of Cards. A new production by Richard Jones. The House of Cards. A new production by Richard Jones.

July 29-Aug 4. THEATRE LONDON. Two Covers By Hell (Old Vic). A Fine Georgian production by Richard Jones. The House of Cards. A new production by Richard Jones.

Sofia International Film Festival for children and young people. Follow the daily antics on the screen and in the bulletin of "Sofia" caricaturist Nikolai Todorov's button-eyed, buck-toothed festival talsman — and that grin spreading across an impish face implied that all was well with the children's film today.

The Ecu steps forward

IT IS always refreshing when Mrs Thatcher's Government does something positively European. So yesterday's announcement that the Treasury intends to borrow on international capital markets by issuing bills denominated in European Currency Units (Ecu) is welcome.

Embryonic The European-wide appeal of the move lies in the fact that by issuing Treasury bills in Ecu, the Government will give a significant boost to the private market in the embryonic European currency.

Chilling words from the UN

THE IRAQI regime stands doubly exposed by the latest developments at the United Nations. On the one hand its sincerity in seeking peace is called in question by its sudden discovery, at the precise moment when Iran had at last accepted Security Council Resolution 598, that direct negotiations at foreign minister level are an indispensable precondition for a ceasefire.

Kurdistan As if that were not enough there is also evidence, not considered by the UN investigators whose remit was confined to Iraqi acts against Iran and vice versa, that the Iraqi regime has used chemical weapons on a large scale against its own citizens in Kurdistan, causing considerable loss of civilian life.

Peter Montagnon and David Buchan examine the EC's dumping policy

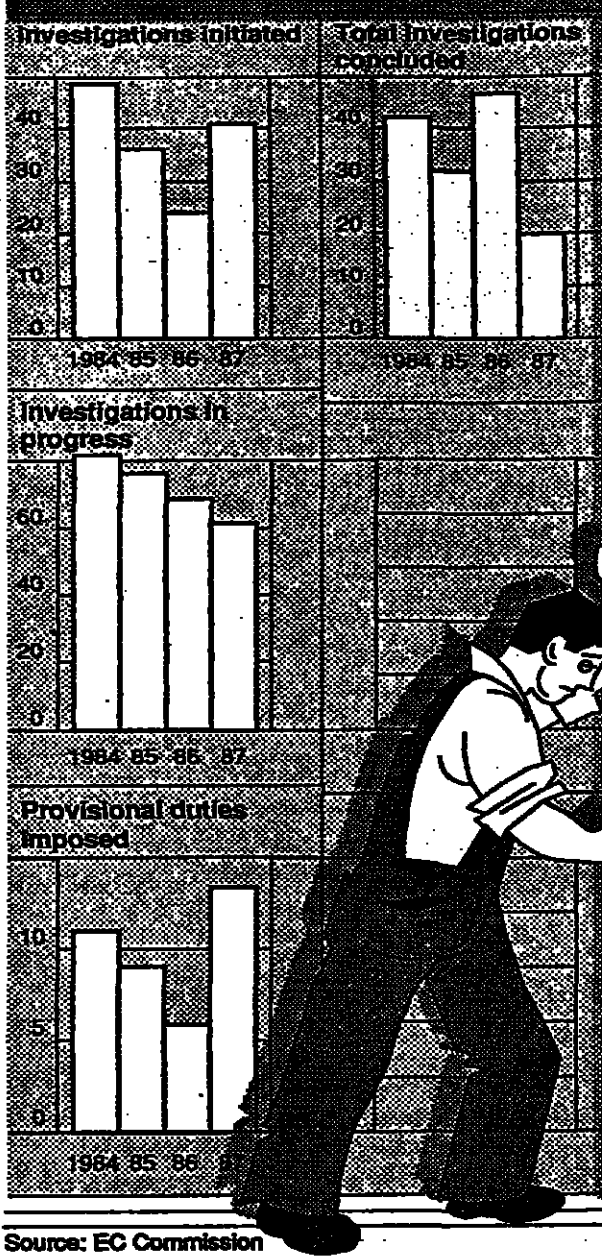
Stretching the Gatt to its limit

AFTER months of festering acrimony over the tougher stance on dumping adopted by the EC since last year, the issue looks set to come to a head. Last month, Japan, which has borne the brunt of the EC restrictions, announced it was beginning procedures that could lead to a formal complaint to the General Agreement on Tariffs and Trade (Gatt).

Pure economic theory suggests that the true losers in dumping cases are the companies which dump in the first place

The imposition of duty on products assembled in Europe using components largely imported from Japan. Penalties against such "screwdriver" operations were imposed in April on electronic typewriters produced in Europe by Canon Bretagne, Kyushu Matsushita, Sharp and Silver Reed, as well as on electronic scales produced by TSC (UK). These are now the subject of Japanese protests to the Gatt.

EC anti-dumping actions



Source: EC Commission

an expert on dumping, says "the way the EC calculates dumping margins for Japanese producers can produce results that, as an economist, I would be very sceptical about."

too, European officials say, more of this investment is going into manufacturing facilities instead of sales and distribution companies, and the financial sector.

that like is being compared with like in dumping inquiries, but there is clearly room for different interpretations which could argue for a closer look at the Gatt anti-dumping code in the course of the Uruguay Round.

PM in sex change row

Given the historically uneasy relationship between Downing Street and the FO, it is rare to find a King Charles Street spokesperson clarifying a statement made by Mrs Thatcher. But in Alice Springs yesterday, the Prime Minister seems to have got it wrong; and more importantly on a subject dear to the heart of many Britons.

Loss of Weights

Do not be surprised to see an outbreak of gym shoes on corporate umbrella stands

OBSERVER

around the Square Mile in the coming months. No, it won't be because chairmen have started jogging to lunch appointments. The explanation is a more sedentary, high tech form of exercise which is the City's latest import from the US.

Reverse roles

One of the more bizarre reveals of role in international diplomacy is on display in this week's UN talks on a Gulf ceasefire. In one corner is Iran's Foreign Minister Ali Akbar Velayati, striking out for the moral high ground after a year of international opprobrium over his country's refusal to accept Security Council resolution 598.

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David Marsh interviews the head of West Germany's counter-intelligence service

An open door to secrecy

In Britain, Mr Gerhard Boden would - officially at least - simply not exist. The stocky, 68-year-old head of West Germany's counter-intelligence service, the Bundesamt Verfassungsschutz (BfV), is, however, alive and well and can be interviewed in his well-protected office building in Cologne.

Mr Boden is in charge of the West German equivalent to Britain's MI5, which is wrapped in official secrecy like MI6, the foreign arm of the UK intelligence services. Britain's Parliament has been debating a recent government White Paper that would shroud the security service in even greater secrecy. In the Federal Republic, as a reaction against the crimes of the Third Reich, the intelligence services set up by the post-war states are discreet, but open to scrutiny. In fact, they insist on it.

After a long career in the police force, anti-terrorism and counter-espionage work, Mr Boden took over the Cologne agency in April last year. Set up in 1950, the BfV's name literally means "Office for the Protection of the Constitution". Its task is to collect information on foreign spies and on left- and right-wing extremists. These are all people deemed to represent a threat to the country's 1949 Basic Law or constitution and thus to the stability of the country.

Apart from foreign spies, the agency has to keep tabs, at the latest count, on 62,000 members of extreme left-wing organisations, above all the German Communist Party, and 25,200 radical right-wingers grouped in national and other organisations. The figures are given annually in public reports, nearly always accompanied by self-congratulatory pronouncements from the Interior Minister that democracy during the year in question "remained stable".

Mr Boden wants to be thought of more as a kindly uncle rather than a big brother. He says it is "terribly important" that the agency, which employs about 2,300 people and comes under the jurisdiction of the Interior Ministry, should have "a human face". Indeed, his job is partly one of public relations. He needs to convince West Germans mindful of the Nazis' misuse of power that the BfV is not, as he says, full of "shady characters in slouch-hats and dark glasses who want to keep everyone under control".

Against this unique German background, the BfV's work is becoming more challenging and complicated. East-West detente and the much greater flow of East Europeans travelling to West Germany increase the opportunities for East bloc spying. At the same time, perhaps over the longer term, the

receding threat to the Federal Republic caused by the manifest ebbing of the Cold War could lower public support for the agency's work.

Mr Boden is adamant about the need to learn from the lessons of the past. "Our citizens should know that this institution was founded, after our bitter experiences, to protect one of the most liberal constitutions that Germany has ever had from a situation where political forces - either from the right or the left - could try to abolish parliamentary democracy," he says.

The BfV is answerable to a Parliamentary Control Commission to check sensitive cases and operations. A special committee of the Bundestag has to approve interception of mail and telephone tapping since this contravenes Article 10 of the Basic Law.

There are two other arms of the intelligence service. The foreign arm is the Bundesnachrichtendienst (BND) or Federal Intelligence Service, run by Mr Hans Georg Weick, a high-powered diplomat. The Militärischer Abschirmdienst (MAD) or Military Intelligence Service is responsible for security within the armed forces. None of the

The BfV even puts out a brochure, carefully translated into English, on the basic tenets of its operations

three have police powers. BfV officials cannot arrest or interrogate suspects or search premises, but instead have to hand over these matters to the federal police or public prosecutor.

The BfV even puts out a brochure, carefully translated into English, on the basic tenets of its operations. Under "intelligence methods", it informs readers that these include: "The infiltration or recruitment and handling of agents in extremist or terrorist organisations; the surveillance of suspects; secret photography; interception of post and telecommunications; other measures to conceal certain BfV operational activity by the use of non-attributable vehicle registration numbers or identity cards with cover names".

It is hard to imagine MI5 being so helpful, even if the Official Secrets Act was abolished.

Mr Boden talks with almost exaggerated politeness about the people he is up against. Most espionage in West Germany is carried out by the East German Ministry for State Security. Not surprisingly, Mr Boden has never met Mr



Erich Mielke, the legendary 80-year-old East German Minister for State Security, who has been East Berlin's chief spy-master for more than 30 years. "I know him very well," says Mr Boden, "and I imagine he knows me too. This has always been my method, also as a police officer - to try to find out who my opponent is. This is necessary in order to understand and evaluate him better."

Perhaps as many as 3,000 eastern "agents" of various kinds may be operating on West German soil. This would range from professional spies to a much larger number of small-time "collectors" of information. "Eastern services, in our experience, in times of detente have a special desire for information. They want to know more, and they want to know it early," says Mr Boden.

Additionally, opportunities for spying tend to increase at a time of political thaw. This year, about 150,000 German national emigrants from the Soviet Union and eastern Europe are expected to settle in West Germany. Although the Bonn government welcomes the sharp increase in arrivals, the emigrant stream also provides a golden opportunity for the East bloc to bring in spies.

"We have a system, although it is not perfect, for registering when emigrants have been approached and asked about procuring information," says Mr Boden. "The numbers have been growing."

"We cannot and do not want to say that each German-origin emigrant is suspect. The people who come to us are German by constitutional right. This gives us a special problem compared with other western counter-intelligence services."

Although he says that not too much meaning should be attached to the increase, 34 people were arrested in West Germany up to mid-July on suspicion of spying. This is the same number as in the whole of last year.

The most spectacular coup this year was the detention of seven men in

The long-term unemployed

How business can tap the wasted potential

By Richard Jackman

THE greatest social evil of our time is long-term unemployment. Yet it could be cured at little or no cost to the government.

For long-term unemployment is itself immensely costly. When a person has been unemployed for more than two years the chance that he will leave unemployment in the next three months is only 10 per cent. So, if nothing is done, he is likely to remain unemployed for another two and a half years. During that period he will collect something like \$9,000 in benefits. He will also pay no direct taxes.

So the gain to the Exchequer if he were re-employed now rather than running his natural course of unemployment is some \$17,000. It follows that the government should be willing to pay generously in order to get him re-employed. It would be an excellent investment from the government's point of view, from the taxpayer's point of view and from the point of view of the unemployed person himself.

Of course, not every such investment would succeed - some of those who become re-employed may become unemployed again quite quickly. But there is good evidence that the net cost to the taxpayer is quite small if a government seeks to abolish long-term unemployment. Sweden has virtually no one who has been unemployed for more than two years. It spends 2 per cent of its national income on employment and training measures for the unemployed, compared with 1/2 per cent in Britain. But, when you add in benefit payments, the Swedes spend less than the British.

They have eliminated very long-term unemployment by offering a job guarantee to everyone who has been out of work for over a year. Given the competences of the long-term unemployed, it is absolutely natural for an employer to be sceptical about someone who has been out of work for more than two years: there is a risk in hiring such a person and in any case some element of training is probably needed. So employers will need some financial inducement.

The time has come for a Compact whereby employers undertake to employ certain numbers of long-term unemployed people in return for a suitable financial package. This would be the counterpart of the compacts already being made in respect of young people. But it recognises that, though youth unemployment is easing rapidly as the number of young people falls, long-term unemployment is stubbornly resistant and cannot be cured without a new willingness of employers to look at such people.

An overall programme of some 250,000 places would be needed at a gross cost of say £1 bn. Unfortunately this "counts" as the public expenditure of the Department of Employment. But only the narrowest kind of book-keeping would fail to set against it the likely savings in benefit expenditure by the DHSS - which could be of almost equal magnitude, once the effects of the scheme had built up.

What possible objections are there to the idea? It is always quite proper to ask, "Will the scheme not be inflationary?" The answer is No. For a pool of long-term unemployed does nothing to restrain inflation. This is found repeatedly in econometric wage equations, and commonsense suggests that people who are so unlikely to find work can be doing little to alleviate the inflationary build-up of job vacancies. Thus reducing long-term unemployment does not tighten the labour market or lead to any danger of overheating.

Indeed, quite the contrary, it will be difficult to ensure continued high growth without inflation unless we can secure a growth in the effective supply of labour.

The population of working age, which grew quite rapidly until last year, will now be growing less fast. We desperately need to find new supplies of workers, whose additional output will generate the wealth on which our future as consumers depends. A key source of additional labour is the untapped and wasted potential of the long-term unemployed.

The author is Reader in Economics at the London School of Economics and Political Science.

who join the Community Programme are two or three times as likely to find regular work after the programme than similar people who did not join the programme. So the scheme has long-run effects on employment. In addition, a huge capacity to provide useful jobs has been developed in the "unemployment industry", and many social needs have been served in that way. Old people have been helped, buildings refurbished and made secure, and so on. As most of the 250,000 places in Community Programme are dismantled over the next year, the gaps in services will become apparent, and a host of dedicated workers for the unemployed will become dispersed. It is time to act now to prevent this tragedy.

But the Community Programme does need redirecting. Up to now it has mainly served

It is absolutely natural for an employer to be sceptical about someone who has been out of work for more than two years

the under 25s because the pay was too low to attract adults. The new scheme would have to ensure that any individual could receive a significant margin above benefits. But everyone should be paid the hourly rate for the job, with hours adjusted to provide the required total income.

Second, the Compact. Above all we want to get the unemployed into real jobs. Thus we must persuade private business to recognise the genuine competences of the long-term unemployed. It is absolutely natural for an employer to be sceptical about someone who has been out of work for more than two years: there is a risk in hiring such a person and in any case some element of training is probably needed. So employers will need some financial inducement.

The evidence is that people

LETTERS

Residence rules

From the Chairman, Inland Revenue.

Sir, In his comments (July 29) on the consultative document about possible changes to the present residence rules for the scope of UK taxation for individuals, Richard Waters makes a surprising comparison.

He suggests that the proposal to determine the UK tax liability of certain residents on a percentage of world-wide income and gains would introduce into our tax law "a variant of the unitary tax system used by some US states to tax foreign corporations".

"That is not correct. As Mr Waters recognises, ministers have consistently opposed the unitary method of taxation: this is a means of determining the liability on income arising in a particular country by reference to a formula involving,

Uncertainty diminished

From Mr D.S. Tullon.

Sir, "Uncertainties of tax avoidance" (July 25) is an excellent and cool summary. The law on the subject has not far to travel. At the same time we must hope that the pendulum will not swing back as far as Lord Templeman clearly hoped. His interventions in a series of tax-avoidance cases have marked the high tide of Inland Revenue dominance of judicial thinking.

That tide has ebbed, but it is unlikely that the tax bar is "cavorting" as Justinian, your legal correspondent, seems to think. In particular, Justinian overlooks the fact that the executive (Inland Revenue) always has the initiative where there is uncertainty as to the law. If the law is not explicit, it has the power to try to make the taxpayer prove the negative: that he does not come within the law. The taxpayer has to spend his or her own money to prove the point; the civil servant is spending someone else's. That is why it is necessary for the burden of proof to shift back to the Inland Revenue.

Lord Templeman must be right to assume that the line cannot be drawn on the narrow majority in *Craze v White*. But at least advice and actions taken now will not be related to one particular set of circumstances in the future in order to show that everything was "pre-ordained".

D.S. Tullon,
1 Serjeant's Inn, EC4

EC imposes a selective tariff

From Mr Ian Livingstone.

Sir, Kenneth Gooding's otherwise excellent article (July 29) makes a statement about the growing need for imports of primary aluminium which come from low cost areas such as Venezuela, Canada, Bahrain and Dubai. I think you will find, in fact, that imports of primary aluminium into Europe from Bah-

rain and Dubai are negligible. This is principally because of the 6 per cent tariff imposed by the European Community (EC) on imports of primary aluminium from certain countries (including the Gulf States) but not from others. The EC is the only major economic system in the world which imposes a discriminatory duty on primary aluminium.

This company, in cooperation with our friends in Bahrain, is actively working in Brussels and elsewhere to have the duty removed or reduced. We hope that the recently concluded agreement for co-operation between the Gulf Co-operation Council (GCC) and the EC may provide a framework for progress in this respect. The present situation may be

Dumping is a real danger

From Mr J.R. Wilson, Mr Ian MacArthur and Mr J.P. Harrison.

Sir, The views on dumping expressed by Jan Trimmer of Phillips (July 25) give an incomplete picture of what dumping really is and how industry can attack it.

It is true that dumping is constituted by exporting goods below the price at which the exporter sells on his home market. However, in order to take remedial action, there has to be material injury (or imminent threat of it) to the industry in the importing country.

While it may appear obvious that the price of the imported product must be causing damage to the industry in question, this can be very difficult to prove. It is less of a problem in industries where there are a

few large companies involved in the manufacture of fairly standard, easily definable products, and where, therefore, damage to one or more companies would be clearly visible.

In the case of textiles and clothing, where there are thousands of companies of varying sizes, producing wide ranges of products (many of which will be short-lived because of particular fashions or styles) it is almost impossible to prove damage. It may even be impossible to gather sufficient evidence of the domestic price of the goods in question, because often they will not be sold domestically in the country of manufacture.

This difficulty is compounded by currency exchange rates, particularly with the state trading countries. That is why we have advocated that, under the current round of GATT multilateral trade negotiations, the present anti-dumping code should be amended in two ways.

First, there should be a shift in the burden of proof so that the importing country would only have to show a *prima facie* case of dumping, which the exporting country would then have to rebut. Once a *prima facie* case had been established, a provisional duty would be applied.

Second, HM Customs and Excise should be empowered to alert interested parties to the arrival of suspect goods. Industries could indicate to their customs authorities what prices would be suspect. This system would have the added advantage of helping to identify "secondary dumping" - the manufacture of products using dumped components - which is not presently dealt with. We strongly believe it should be.

The creation of the single European market will make all industries more vulnerable to such practices as dumping. It is imperative that EC negotiators at the GATT Round seize the nettle, and strive for the effective reform of the anti-dumping code.

J.R. Wilson,
British Clothing Industry Association,
Ian MacArthur,
British Textile Confederation,
J.P. Harrison,
Knitting Industries Federation
British Apparel Centre,
7 Sunnall Place,
Oxford Circus, W1

THE FT MAY BE A SHADE PINKER TODAY

While we wouldn't deliberately want to embarrass the Financial Times, a recent advertisement by Pearson, their owners, deserves a little more than "no comment."

There the sales margin is less than 2 to 1 in favour of the FT. And falling.

In the past year, Journal/Europe circulation has grown 12%, whilst the FT's

	CIRCULATION SALES RATIO**
Europe (Ex. UK)	WSJ : FT 1 : 1.8
UK	1 : 1.8
US	100 : 1
Asia	11 : 1
Worldwide	7 : 1

Sources: * Jan-Jun 88 vs Jul-Dec 87 ABC. ** Latest available data at time of going to press.

We were surprised by the claim that it "outsells The Wall Street Journal by 8 to 1 in Europe."

We've checked, and even if you include its "home territory" - the UK, we couldn't calculate a margin close to that.

Which makes it even more surprising because one doesn't expect such arithmetical inaccuracy from a business paper.

Of course, as the national business publication of the UK, it's hardly surprising the FT outsells The Journal/Europe there. Just as in the US, sales of The Journal vastly exceed those of the FT.

For a more revealing profile of European penetration, simply subtract the UK and look directly at the Continent.

Frankfurt edition sales have declined* Having set the record straight we would like to emphasize, however, that we are not out to compete on numbers.

Our interests lie mainly in quality rather than quantity.

We aim to provide the highest quality business paper for the highest quality readership.

Our subscriber studies show how we are succeeding. Our average subscriber's household income is \$229,000 per annum. 71% are top management. Need we go on? (The FT has no comparable figures for its own buyers.)

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EUROPE

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FINANCIAL TIMES

Wednesday August 3 1988

Chesterton 01-499 0404 54 Brook Street London W1A 2BU

S.African exports rise sharply

By David Owen in Toronto

A GROUP of six countries, headed by Japan, have sharply increased their annual imports from South Africa in recent years, undermining the impact of economic sanctions imposed by the US and others.

In all, the six countries - Japan, Taiwan, West Germany, Italy, Spain and Turkey - last year imported \$1.76bn more South African goods than their average South African imports during the 1983-85 period.

Britain's trade with South Africa has fallen in recent years, due principally to the transfer of the bulk of the diamond trade from London to Switzerland.

The figures are contained in a confidential interim report on the impact of South African sanctions, commissioned by the Commonwealth Foreign Ministers Committee at its

inaugural meeting in Lusaka in February. The committee, meeting this time in Toronto, was set up by Commonwealth heads of government at last year's meeting in Vancouver to provide guidance and impetus in furthering Commonwealth objectives by South Africa. It comprises the foreign ministers of Australia, Canada, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe. Britain - which opposed the wider, tighter and more intensified application of sanctions in Vancouver - is not represented.

According to the report, Japan's imports from South Africa were last year up by \$748m or 44 per cent from their 1983-85 average.

Other major reductions were made by Denmark, where imports have fallen from \$154m in 1985 to zero, France, Canada and the Nordic countries.

Spain and Turkey registered increases of \$100-\$300m. The rate of growth has been fastest in Taiwan and Turkey, where South African imports during the period have increased by 146 per cent and 132 per cent respectively.

The report also shows that countries which have introduced major sanctions against Pretoria reduced their South African imports by \$1.2bn between 1985 and 1987, equivalent to about 7 per cent of South Africa's total 1985 exports.

By far the largest reduction was made by the US, which has cut South African imports by \$600m over this period.

A separate inter-ministerial report on South Africa's relationship with the international financial system confirms that long-term credits to South Africa have virtually ceased but that short-term trade credits are increasing. The principal sources of these credits are said to be Britain and West Germany.

Based on the reports' findings, the committee is expected to discuss the adoption of fresh measures to increase pressure on all countries to reduce trade links with South Africa and to combat apartheid.

These are likely to include recommendations that tighter restrictions be imposed on the purchase of non-essential South African goods, such as coal, steel, base metals and agricultural products.

Gatt report shows world merchandise trade up by 5% in 1987

By William Duffin in Geneva

WORLD merchandise trade grew by 5 per cent in volume in 1987, well above the rate of expansion of the two preceding years, and will grow by a further 5 per cent this year, the secretary of the General Agreement on Tariffs and Trade (Gatt) said yesterday in his annual report.

The trade-depressing consequences of the large changes in currency rates and the fall in energy prices experienced in 1985 and 1987 have started to give way to trade-stimulating effects, Gatt's economists suggest in a generally upbeat analysis of the current strength of world trade.

In value, international trade in goods climbed by 18.5 per cent to \$2,475bn in 1987 with West Germany outpacing the US as the largest exporter for the second year running. Growth was particularly strong in the second half.

Last year developing countries increased their share of world merchandise exports for the first time in seven years. Their combined trade balance shifted from a small deficit to a small surplus.

Gatt officials single out three favourable factors affecting trade: The relative stability of the main currency rates since December.

Indications that the US and Japan are beginning to correct their trade imbalances. These signs are reinforced by figures showing the strength of Japanese domestic demand and a revival in personal savings in the US, Gatt says.

Continuing, if modest progress in dealing with Third World debt. Gatt notes the undertaking on African debt by the seven big economic powers at the Toronto summit. Brazil's recent agreement with its creditors and the banks' additions to their loss reserves.

These positive developments are tempered by uncertainty about the debt crisis and the current account imbalances of the US, Japan and West Germany which will be resolved. Other negative influences mentioned are fear of a resurgence in inflation and trade protectionist pressures.

Gatt also injects a warning note about recent improvements in agricultural prices which it says in no way reduce the urgent need to reform farm policies. Details, Page 4

THE LEX COLUMN

Coming to terms with the Ecu

The nine out of ten Britons who think the Ecu is a game, a computer or a cinema award will be impressed by the Bank of England's decision to issue Ecu treasury bills. To the cognoscenti, though, it must appear a master stroke. By acting rather than merely talking about progress toward a European monetary union, the Government has answered its European critics without conceding any ground on monetary supremacy.

As far as the ever-ascetic Ecu market goes, the Bank's announcement is an unexpected gift. While the issue of a brand new instrument worth up to Ecu 2bn will in itself deepen the short term market, its real significance is as a pump-primer. Once the UK Government has endorsed the Ecu and proved its worth, the chances are that others will follow. There is every reason to expect the issues to succeed, given the likely demand from central banks as well as the general run of international investors; the only surprise is that no one has thought of issuing them before. Moreover, the creation of a lively treasury bill market should also help the Ecu bond market, which has suffered not just from suspicion but from a scarcity of swap opportunities, which the bills will help alleviate.

By getting in first, the Government has brought off a small coup for London as a financial centre. Because the bills will be sold through the existing treasury bill mechanism, players in the domestic market will be encouraged to become Ecu experts, suggesting their rise up the league tables at the expense of the French and the Belgians. Even from the more workaday point of debt management the move makes sense, as it broadens the Government's borrowing options, and should mean an interest saving of more than percentage point over the retiring dollar FRN.

As if UK interest rate policy were not tricky enough already, the slide in the D-mark shows every sign of continuing: still weak against the dollar yesterday, despite the rise in the German repo rate, and bumping along at an all-time low against the Yen. It is natural enough that the dollar should steal the limelight

at present. The market has persuaded itself into optimism about the US trade deficit, and the continued strength of the domestic economy - apparently confirmed by yesterday's leading indicators - suggests that the Fed's policy of tightening will continue. But after all, the Bundesbank has been tightening too; and dollar strength does not explain the D-mark's performance against the Yen.

But though the weakness looks slightly illogical, the

For its part, Liberty has paid what amounts to petty cash for access to the expertise of Britain's largest investment trust management group, and a fashionable techbid in the UK market ahead of 1988. Liberty probably paid a small premium to the 150p a share March valuation of Touche Remnant; but even if yesterday's purchase implies a price tag of \$50m over the group over- all, that is still only 1 per cent of funds under management. That valuation looks far less ludicrous now than at the height of the bull market; but it could still prove modest if Touche Remnant seeks a list- year as expected in two to three years time - though the windfall gains to Liberty on \$5m to \$6m invested today would scarcely look much in view of the \$13m managed by its own Chicago-based investment management offshoot.

Securitisation The combination of a collapse in the share price of National Home Loans, the recent sharp rise in short-term UK interest rates and building societies once again flush with retail funds has raised some doubts about the continuing viability of the new breed of specialist mortgage lenders. However, the decision of the Leamington Spa Building Society - a medium sized group with heavy ambitions - to set up its own specialised mortgage company, thus doubling its lending capacity without the need for extra capital, is another sign that the market for securitised mortgages in the UK is coming of age.

The relative attractions of funding mortgages from a retail or wholesale deposit base may fluctuate from time to time, but Leamington Spa's novel off-balance sheet vehicle has demonstrated that even a building society can overcome the various hurdles which have delayed the securitisation of building society mortgages. Despite the current interest rate structure, it should be able to earn a margin of close to 100 basis points by borrowing in the euro-commercial paper market, and if it tapped the US commercial paper market, its margins might be even better. The only snag may be that as building societies become increasingly like banks, it will be difficult to ignore off-balance sheet items in capital ratio calculations.

Touche Remnant Investment trusts remain an industry in search of a future, and yesterday's Liberty Mutual deal is almost certainly not the last to be heard from the troubled Touche Remnant. Although one can be forgiven for remaining sceptical about TR's claims for the business benefits of the deal, the fund management group needed an outside shareholder to take up the slack from the ever-dwindling group of investment trusts which currently own it; and given its size and market clout, Liberty seems a logical choice, to deter predators.

Currencies As if UK interest rate policy were not tricky enough already, the slide in the D-mark shows every sign of continuing: still weak against the dollar yesterday, despite the rise in the German repo rate, and bumping along at an all-time low against the Yen. It is natural enough that the dollar should steal the limelight

Bundesbank raises repo rate

The increase of nearly 2 per cent in the seasonally adjusted industrial production figure for June in volume ammunition for the Government. It confirms that strong growth in the first three months of the year has continued into the second.

The repo rate, which has become a carefully-watched indicator of the Bundesbank's intentions, has now moved up in stages from 3.25 per cent in late June.

The rises are in line with increases in other German interest rates and mark the central bank's attempt to keep its money-market rates between the discount rate, which now stands at 3 per cent, and the Lombard rate.

However, German daily money-market rates are now at almost 5 per cent. Combined with the dollar's continuing strength, that suggests further increases may come.

Most German economists expect domestic interest rates to rise further.

Mr Ernst-Martin Lipp, chief economist of Dresdner Bank, said: "If US rates go up further, the Bundesbank will either have to accept a further depreciation of the D-Mark or stabilise the exchange rate by raising interest rates rise further."

German exporters have regularly complained about the strength of the D-Mark, which they say has bitten into their business.

US indicators show economy still expanding, Page 5; Lex, Page 16

Taking the rocky capitalist road

John Lloyd meets the enterprising founder of a Moscow co-op

IN HIS novel Children of the Arbat, published in the Soviet Union a year ago, Anatoly Rybakov paints a picture of a bohemian, working-class district of central Moscow during the Stalin era.

He describes the struggles of a group of young people against a stifling authoritarianism, driven by a venerated and endlessly suspicious despot.

Today, the Arbat is a chic area of galleries and flats for the "in" crowd, and it has new children. One of them is Mr Vladimir Alexeyevich Sorokin.

He was born in 1955, a year before Nikita Khrushchev denounced Stalin in a closed session of the Communist Party central committee.

His parents were doctors: he trained as a mathematician, but was drawn towards the arts, working for a year or two with a touring puppet theatre before taking up sculpture and spending eight years carving monuments to commemorate the "Great Patriotic War" against the Nazis.

But, in his early thirties, he wanted more. Mr Mikhail Gorbachev, impatient to free up a clogged economy, was exhorting people to leave the state sector and set up on their own in co-operatives. So on October 1 last year, Vladimir Alexeyevich founded a clothing co-op.

This new child of the Arbat floats on a sea which, if not as dangerous as that of his fictional forefathers, is still rough, puzzling and uncharted. He is, in effect, an entrepreneur.

It should in theory be plain sailing. A state law on co-operatives came into force in July, designed, the preamble says, to "reveal the immense potential of the co-operative system and... create the conditions for involving extensive sections of the population in co-operatives."

Mr Gorbachev rarely loses an opportunity to laud them: much of his speech to the central committee plenum last Friday was devoted to the importance of leasing land, buildings and equipment to the fledgling co-operative movement.

Draft legislation which would have imposed punitive taxes on co-ops (up to 90 per cent) has been suspended after objections from economists and others. Explicitly and implicitly, co-op members are



Gorbachev: "without him there would be no co-operative movement... co-ops don't always enjoy a good press"

being told to enrich the economy by enriching themselves.

According to the Moscow city Soviet, 300 co-operatives in the capital last year turned out goods and services worth \$12.8m (\$20.27m). By the first six months of this year, the number of co-ops had grown to 1,300, turning over \$66m in the first half year alone and there are now over 40,000 co-ops in the nation-wide.

So what's the problem? Vladimir Alexeyevich grimaces: there are many. He can get willing workers, but often their work is not very good. Worse, he cannot get people to manage: nobody has been trained to do that.

And, like all Soviet citizens who try something new, he has a deep fear that the official line might change. He thinks Mr Gorbachev is wonderful, "without him there would be no co-operative movement: all hopes for improvement in this country are connected with him", but co-ops do not always enjoy a good press.

On the front page of Friday's Socialist Industry, Ms Tatiana Subbotina, a Moscow economist, attacked the co-ops, and the law governing them, for "taking the capitalist road."

Any reform which deprived workers of ownership of their country's riches - even if the result of such a reform is an increase in production or improved quality of production - should be opposed, she wrote.

At the core of her criticism is the fact that co-ops are entitled to employ contract labour.

This means exploitation, in Ms Subbotina's view. She argued, echoing Lenin, that the "objective interests of these two groups are antagonistic - the smaller the salary of the contract employers, the greater the profits of the co-operative which are distributed exclusively among the co-operative workers."

Apart from political opposition from people like Ms Subbotina, the co-operatives face subtler forms of resistance from Soviet society. Many people disapprove savagely of what they see as the co-ops' get-rich-quick tactics.

The objection is often to practices taken for granted in the West, such as putting a higher price on scarce goods. This is hardly unknown in the black market; but to have it practised openly, with official approval, cuts against a popular grain.

Yet Mr Sorokin will carry on. He says he is driven by a desire to promote "peace through commerce."

"Where there is trade there cannot be war," he asserts, launching into a treatise on that subject.

He has 15 members in his co-op: they hire between 15 and 18 more contract workers. Most of them work at home, sewing to patterns he provides. All, contracted and co-op members, earn according to the quality of output.

It makes a profit. He has paid back all but the best part of his state loan: he could pay it all back now, but he is reserving it because he may

need more capital and it is hard to come by. He wants to expand: not necessarily to make more clothes, but to become a supplier of services to the foreign business community. He plans to open a Japanese restaurant with a Japanese chef who can cook, and he wants to provide entertainment, sports facilities and recreation for businessmen in Moscow.

"We are ignorant of what people want. I need information: we are willing to do anything."

I asked him if he thought he and his fellow co-operators were taking the capitalist road?

He paused, searched for words, looked embarrassed and said he was. Finally, he said: "I don't believe the two social systems are so far apart any more. I believe they will merge and more come together. This will benefit world peace."

For him, socialism is a guarantee of state protection: you recognise it says incentives and, as he put it, "it may destroy the process of natural selection."

Charming, handsome and self-assured, his language is tremendously idealistic but at the same time he wants to break into that most lucrative of sectors, the hard currency market.

Judged by conventional Western criteria, he was planning to spread himself thin, with little knowledge. Yet most entrepreneurs here have more than one function: heavy engineering plants make consumer goods for local production, build and maintain flats for their workers, and are encouraged to do so.

And if he has little business-as distinct from administrative - experience, other would-be entrepreneurs are in the same boat. He is the executive of the Moscow co-operators' association, which plans to hold a conference soon, perhaps this week or next.

They have problems, to be sure: he says only about 15 per cent of them make a profit. But longer-term, he believes, the market will be dominated by co-operators towards... the possibility of prosperity and, of course, peace.

Carlucci gets a cockpit view

Continued from Page 1

to run in a watchful mode - we see no change in the resources going into the military establishments."

He added, however, that "I think we have already had tangible results on the work that has been done on avoiding dangerous military activity. We are coming to understand each other's establishment and doctrine a bit better and we've had constructive dialogue on regional issues."

Mr Carlucci ends his four-day visit tomorrow after a visit to the Black Sea fleet.

UK direct broadcasting group unveils new satellite aerial

By Raymond Snoddy in London

THE SATELLITE television battle between British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television intensified yesterday as BSB unveiled a revolutionary flat 25cm aerial to receive its three new channels from space.

BSB, Britain's £625m (\$1.27bn) direct-broadcasting-by-satellite venture, signed an exclusive marketing and manufacturing agreement with Forstel, the Scottish company which developed the diamond-shaped aerial, early yesterday.

BSB said the aerial was one quarter the size of dish aerials needed to receive the four channels planned for launch in February by Mr Murdoch. At the same time it demonstrated that its D-MAC system could produce sharper, clearer pictures on existing television sets and said the retail price of its reception equipment would be about £250.

Major manufacturers of the new receiver would be Ferguson, the UK subsidiary of Thomson, the French electronics company, Salora of Finland, the third biggest television set manufacturer in Europe and the UK subsidiary of the Taiting Corporation of Taiwan. The three were chosen from a short-list of 15 to make the set-

up receivers exclusively for the first three years.

The announcements mean that the multi-million campaign to sell new channels of satellite television to the British viewer is now under way.

In June Mr Murdoch, chief executive of News International, announced that he would launch four channels of advertising-financed television to be broadcast by the Luxembourg satellite Astra direct to the home using the existing PAL standard in February.

At the same time Mr Alan Sugar, chairman of Amstrad, said he would produce basic 60cm reception equipment for the Murdoch service Sky Television to retail at £199 and £299 with remote control.

WORLD WEATHER table with columns for location, temperature, and other weather data.

Hitch in Gulf peace talks

Continued from Page 1

The report later today from a UN team which has been discussing details in Tehran and Baghdad. Although he stressed that he would continue to consult with the belligerents, he also made clear that if necessary he would proceed without their agreement.

Such an action would put the Council on a collision course with Iraq, which will then have to decide whether to fight on against the will of the international community and of some of its strongest supporters. Mr Perez de Cuellar hinted this could lead to Security Council action to force Iraq to stop the war.

CITICORP CONSOLIDATED BALANCE SHEET table with columns for assets, liabilities, and stockholders' equity.

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FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday August 3 1988

KIER
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INSIDE
London sets sights on Ecu market

The UK Government hopes its decision to issue Treasury bills denominated in European Currency Units will lead to a new London-based international market in Ecu debt. This way, the refinancing operation announced yesterday by Nigel Lawson (left), Chancellor of the Exchequer, was intended as a "practical" step toward the use of Europe's hybrid currency — contrasting with broader aspirations for a European central bank and a common monetary policy. The UK's planned redemption of its \$2.5bn floating rate note also reflects the large rise in its official reserves and the Treasury's desire to diversify the currencies held as reserves. Page 20

TLC makes sweet gain on \$44m Callard sale

TLC Group, the private investment partnership which last year acquired most of the international businesses of Beatrice Foods in a \$365m leveraged buyout, has agreed to sell Callard & Bowser, UK-based manufacturer of fine confectionery and butterscotch, to United Biscuits for a total consideration of about \$44m. Profits from the sale will allow TLC to cut the cost of its Beatrice acquisition to \$340m. Page 18

Racial battle reaches final round

The battle between Racal Electronics of the UK and Millicom of the US, over the future of Racal's telecommunications subsidiary will reach its final heat in the next two weeks as the opponents read themselves for an extraordinary meeting on August 16. Hugo Dixon reports on the opinions of shareholders caught in a corporate tug-of-war. Page 18

Valmet taps into Finland's private capital market

Valmet, the Finnish state-owned metal and engineering group, will become the country's first state-owned company to be partly-privatised through an issue of \$5.5m (£120,000) of shares to domestic investors. The issue does not amount to privatisation, says Matti Kankkunen, Valmet president, but will provide the company with more money for acquisitions, research and development. Page 19

Dim view for grain markets

The outlook for the world's industrialised grain-producing countries is anything but optimistic, warns the International Wheat Council. As the main market shifts to developing countries, higher prices could mean disaster for producers and their financially-troubled customers, who would be unable to meet increased import bills. Bridget Bloom looks at the dilemma posed by the growing grain markets. Page 32

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FRF)	
Nordf	455 + 18.8	Societe Gen.	378 + 15
Lindt	690 + 7.0	CFR	132.5 + 5.3
Pele	100 + 1.0	Deutscher	250 + 12
Beier Hysp.	394 - 15.5	Novartis	702 + 19
Kauffh	357.5 - 6.0	Sanofi	745 + 9
Lufthansa	142.7 - 2.3	Novartis Gt.	411 - 9
Deyer Ventes	326 - 4.5		

NEW YORK (\$)		TOKYO (Yen)	
Alcoa	28 1/4 + 1 1/4	Shimizu	1800 + 200
Pfizer	28 1/2 + 1 1/2	Toyoko Land	1100 + 100
Teneco	47 1/2 + 1 1/2	Sanyo Etc	598 + 38
Pharm.	1 1/2 - 1	Kato Bank	5310 - 390
Wells	12 1/2 - 1 1/2	Shimizu	1110 - 50
Sagami Tech.	10 1/2 - 1 1/2	Sanyo Denki	1280 - 50

LONDON (Pounds)		LONDON (Pounds)	
Alcoa	598 1/2 + 3 1/2	Rediff	436 + 11
Alstom	208 + 1 1/2	Security Servs.	367 + 27
Amersham	233 + 25	Pele	100 - 21
Chemical Int.	205 + 11	Amersham Intl.	856 - 21
Empire Shop	248 + 8	Embridge Oil	499 - 18
Jerome (S)	273 + 18	LASMO	459 - 8
Molten	108 + 10	Midland Bank	413 - 7
Molten	619 + 18	RMH	480 - 6
		Roughneck	754 - 4
		Waco	700 - 13



City sticks to a paper standard

David Lascelles examines a setback to automated clearing in London

The collapse of LondonClear has caused considerable embarrassment and some recrimination in the City of London. The project, launched a year ago by 36 UK banks with the backing of the Bank of England, would have automated the City's paper-based clearing markets. But on Monday it foundered on the reluctance of its backers to cover its £12m (£20.5m) launch costs. Is the collapse a sign of the short-sightedness of London's financial institutions, as some people such as Mr David McWilliam, LondonClear's chief executive, have claimed? And in that case does it reflect badly on London's ability to compete in the international financial marketplace? Or was LondonClear ill conceived, and therefore rightly terminated? What everyone agreed yesterday was that something needs to be done about the clearing markets, where billions of pounds worth of bills and other money instruments are traded daily — and delivered by messengers plying the City's streets. LondonClear would have provided an independent, computer-based system using the Bank of England as a depository, to replace paper with electronic bills.

But after three years' work LondonClear attracted only 40 would-be members, well below the 70-plus which it needed. And it got only half a million pounds compared with the £5m it wanted for the first phase.

Bankers yesterday cited two reasons for the poor response. One was cost. The total of £12m, not including £4m of lease finance, was far more than they had been led to expect. This would amount to several hundred thousand pounds per member, some of which remain profits of barely £1m a year.

The other reason was the situation in that the clearing banks with the deep pockets are not the biggest users of the money markets; they issue a lot of paper but they deal less in the secondary market than small banks and discount houses. So they were reluctant to put up large sums. Conversely, the smaller institutions which are bigger users could not afford a heavy investment.

Many bankers also complained that LondonClear was trying to

create a "Rolls Royce" system with an array of options, when the City needed a "Ford Cortina", straight and simple.

Ironically, LondonClear would not have saved enormously on existing costs. One clearing banker estimated yesterday that the entire market used only 30 messengers at a total cost of well under £1m. His own bank kept all its money market paper in a single small safe.

Mr McWilliam rejects the criticisms about excessive cost. He says that banks were "deeply consulted" about the system's requirements and costs at all stages, and had plenty of opportunities to voice their worries. He also defends the decision to go for a high quality system on the grounds that a market where banks manage their liquidity and the Bank of England makes its interventions must be totally reliable. He said it was essential, for example, that the computers be duplicated for emergency or breakdown — even though this doubled the equipment costs — and that they be sophisticated enough to adapt to changes in the market.

"If you cut costs, you also have to take short cuts with equipment and software — or change the nature of the service," he said.

The second complaint was bureaucracy. With several committees and much consultation machinery, some bankers felt LondonClear could never be flexible enough. Again, Mr McWilliam denies this charge, claiming that LondonClear was designed to be highly responsive.

There were also some doubts in people's minds as to whether London needed to create a new system from scratch. Two banks — Chase Manhattan and First Chicago — already supply automated clearing and settlement services for the London markets, and both are eager to expand their business in sterling instruments. But though the collapse of LondonClear removes a potential rival, they are not comparable: as dealers in their own right, they lack the independence the LondonClear would have had.

The most likely entity to pick up LondonClear's pieces seemed yesterday to be the Association for Payment Clearing Services



D. McWILLIAM

Bridgestone buys base in Turkey for \$60m

By Stefan Wagstyl in Tokyo

BRIDGESTONE, the Japanese tyre company which is buying Firestone Tyre and Rubber of the US, has signed a \$60m deal to purchase a 36 per cent stake in a tyre manufacturer in Turkey.

The group intends to use the Turkish venture as a base for supplying Africa and the Middle East, just as the Firestone acquisition, on a much larger scale, is giving it a presence in North America and Europe.

Mr Masayuki Kinoshita, executive vice president, said yesterday that the agreement would turn a company operating in three regions — Asia, North America and Europe — into one operating in four.

Under the terms of the agreement, Bridgestone is going into partnership with Sabanci, a diversified Turkish industrial group. Bridgestone is paying \$60m for half of Sabanci's 72 per cent stake in Lassa Tire Manufacturing and Trading, a company listed on the Turkish stock market. Remaining shares are held mostly by financial institutions.

The joint venture, to be called Bridgestone Sabanci Tire Manufacturing and Trading, will initially control 50 per cent of the Turkish tyre market. It employs 1,300 people and last year earned \$15.7m on sales of \$12m.

Mr Kinoshita said Bridgestone's hope was to double output from 100 tonnes a day over the next few years. The company would first concentrate on a new range of truck and bus tyres and later expand passenger tyre production.

Bridgestone would transfer technology to Turkey and send up to 50 Japanese staff to the project, he said.

Bridgestone hopes that the Turkish plant will eventually replace Japanese exports to the region. Africa and the Middle East took one-third of the group's total exports last year by volume. By value, total exports were 26 per cent of parent company sales of ¥557bn (\$4.22bn).

Sabanci is one of Turkey's two largest industrial groups. Mr Sakip Sabanci, chairman, has built an empire ranging from banking and insurance to electronics and agriculture. Net sales last year were \$3.6bn. Lassa, the tyre company, started production in 1977 with technology from Uniroyal Goodrich.

● Bridgestone is to increase production of car radial tyres at its Nashville, Tennessee plant. It is investing ¥4bn to lift output from 1,000 to 3,000 tyres a day by the end of this year. Tender reports. Annual output is expected to be raised to 2m tyres by the end of 1988.

Adsteam move threatens Bond's plans for Bell

By Bruce Jacques in Sydney and Andrew Baxter in London

ADELAIDE STEAMSHIP, the acquisitive Australian holding company headed by Mr John Spalvins, emerged yesterday as the holder of 11.44 per cent of Perth-based Bell Resources, the asset-rich jewel of Mr Robert Holmes & Court's dwindling corporate empire.

Adsteam, which currently has a stake of about 8 per cent in Commercial Union of the UK, said it holds 63,35m shares in Bell Resources. The announcement provoked widespread speculation that Mr Spalvins was building a stake in Bell, shares of which have been heavily traded recently.

The emergence of Mr John Spalvins' strategic shareholding almost certainly spells trouble for Mr Alan Bond's ambitions plan effectively to merge his flagships company, Bond Corporation Holdings, with the two former flagships companies of Mr Holmes

& Court — Bell Resources and Bell Group.

Bond is holding A\$2.70 a share for all but the 19.9 per cent already owned of Bell Group, valuing the entire Holmes & Court master company at A\$850m (\$466m). Mr Holmes & Court and his companies had come under financial pressure after the October stockmarket crash, prompting the sale in April of the 19.9 per cent stake.

Mr Spalvins' interest is therefore twofold. First, he is probably looking to force Mr Bond into selling some strategic assets to Adsteam in order to win that company's support for the merger plan.

Anything less than 100 per cent control by Mr Bond would cause him difficulties in getting access to the cashflow of the two Bell companies. A strategic 11.44 per cent minority stake held by Adsteam would therefore be a useful blocking tool.

Mr Spalvins may also be attempting to push Bond into buying back the 11.44 per cent stake at a higher price. At yesterday's closing price of A\$1.78, the stake would have cost Adsteam about A\$113m.

Bond has already paid a premium to buy out Sir Ronald Brierley, chairman of the Industrial Equity holding company, and Mr Larry Facker, the Australian media entrepreneur, who had joined forces earlier this year to thwart Mr Bond's plans for Bell Group.

The two entrepreneurs had jointly bid A\$1bn for Bell Resources, but were paid A\$2 a share for their 6.5 per cent block, and withdrew their bid on July 1. The pressure exerted on Mr Bond by Mr Spalvins will be increased by the large borrowing which the Bond group has taken on to fund its bid for Bell Group.

Liberty Mutual acquires 15% of Touche Remnant

By Nikki Taft in London

LIBERTY Mutual Insurance Company, one of the largest property-casualty insurance companies in the US, is taking a 15 per cent stake in Touche Remnant Holdings, the UK fund management group.

Touche Remnant, an unquoted company, is Britain's largest investment trust house, with these funds accounting for around £1.8bn of the total £3.5bn funds under management. Before the Liberty deal, the trusts themselves were also the sole owners of shares in the management company.

No price was announced yesterday. In March, however, TRI shares were valued at 159p each,

putting a price tag of £32m (\$55m) on the group. Liberty is believed to have paid a premium of about 10 per cent over this.

Liberty said yesterday that it fully supported TRH's aim of seeking a stock market listing in due course. TR has made clear that it would like to float, subject to market conditions, in the early 1990s.

TR said the deal offered the prospect of developing international products together with Stein Roe & Farnham, the Chicago-based investment management company in which Liberty owns an 80 per cent stake.

Background, Page 22

Fiat takes 14% stake in Labinal

By Paul Betts in Paris

Fiat has acquired a 14 per cent stake in Precision Mecanique Labinal, a French supplier of components to the car and aerospace industries with which it has close commercial and industrial links.

The Italian car group said yesterday that the FRF400m (\$63.5m) purchase was defensive and that it had no hostile takeover intentions.

The French company has been the subject of intense takeover speculation on the Paris bourse during the past few weeks. Both United Technologies and General Electric of the US were said to have shown interest in the 14 per cent stake, which was held by foreign investors.

Although Fiat said it had no intention of increasing its holding, French authorities expressed some concern over the share purchase. With annual sales of more than FRF2.5bn, Labinal supplies components to the defence industry and owns a large stake in Turbomeca, the French helicopter engine manufacturer.

Moreover, Labinal's top management criticised the Fiat acquisition on the grounds that the company had always opposed the entry of a car manufacturer as a shareholder, because of the risk of undermining sales to other motor groups.

Banque Arjil, the small investment bank controlled by Mr Jean-Luc Lagardere, the chair-

man of the French Matra and Hachette groups, advised Fiat on the deal. The Italian group has close ties with Matra including joint ventures in car components and cellular mobile radio.

With 14 per cent, Fiat is the largest single shareholder in Labinal. Other significant stakes are held by the Calais des Depots, a French state financial institution, with 13 per cent, the state-owned UAP insurance group with 11 per cent, the Banque Nationale de Paris with 2.5 per cent, and the Axa insurance group with 5.5 per cent. The Szydlowski family, founders of the Turbomeca helicopter engine group, owns 11.5 per cent of Labinal.

Steetley of UK expands in Spain

By Philip Coggan in London

Steetley, the UK construction materials group, yesterday substantially expanded its Spanish aggregate interests through the purchase of five connected companies for a total of Ptas.119bn (\$42m).

The acquisitions are the first by Steetley since it raised \$88m through a rights issue in June, specifically to fund overseas expansion.

British building materials groups have tended to expand through acquisitions of overseas aggregates companies in recent years, since UK reserves are tightly held by a few large companies.

Many companies have bought in the US — a trend highlighted by Beazer's recent \$1.7bn purchase of Koppers — but Steetley's main

thrust has been into France, where it is now the largest aggregates producer.

"The main reason we want to invest in Spain is the growth potential," Mr Richard Miles, Steetley managing director, said yesterday. "The aggregates market is highly fragmented."

After the latest purchases, Steetley estimates it will have about 1 per cent of the total Spanish aggregates market, but it will account for 20 per cent of aggregates and 15 per cent of ready-mixed concrete supplied in the Madrid area.

Steetley made its first purchase in Spain in April with the acquisition of La Pola, a quarrying and ready-mixed concrete operation near Madrid — the same area where the new acquisitions are located.

Overall, Spain's Ptas.5,000bn construction market is forecast to grow at 9.2 per cent this year and 8 per cent in 1989, according to Euro-Construct, a federation of leading economic and industrial forecasting bodies. That means that Spain is now the fastest growing construction market in Europe, boosted by a rapidly-growing economy and a substantial increase in investments in roads and other infrastructure.

The five companies Steetley has bought — Casla, Artemada, Transcasla, Hormidosa, and Hormosa — own or have rights over more than 30 years of proven sand and gravel reserves at current rates of production. Last year they made pre-tax profits of Ptas.573m.

COMMUNICATIONS SECURITY PARCELS AND DOCUMENTS

RECORD RESULTS

Profits of Securicor Group plc up 30% to £11.69 million for the half-year to March 31st, 1988

Profits of Security Services plc up 36% to £10 million for the same period

Progress achieved at interim stage is continuing in the second half-year

Half-year Reports of Securicor Group plc and Security Services plc are available from The Company Secretary, Securicor Group plc, Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4TX

SECURICOR

INTERNATIONAL SECURITY SERVICES SPECIALIST RECRUITMENT

INTERNATIONAL COMPANIES AND FINANCE

Texaco seeks buyers for big Canadian offshoot

By James Buchan in New York

TEXACO, the US oil company which is reorganising its operations after years of corporate upheaval, is planning to sell its majority stake in its big Canadian subsidiary in a deal Wall Street believes could net more than \$2.5bn.

The US group, which has just fought off a bid for control by Mr Carl Icahn, the takeover specialist, said yesterday that it would seek offers for its 73 per cent interest in Texaco Canada.

But Texaco will try to keep its subsidiary's interests in various overseas exploration joint ventures, notably a highly promising find in Brazil.

Texaco Canada said it was forming an independent committee of the board of directors to consider the move.

Yesterday's announcement by the US group is the latest in

a string of asset sales, joint ventures and financial rejigs which Texaco has put forward in efforts to recapture Wall Street's favour after years of weak financial performance, litigation and bankruptcy.

The suburban New York company won investors' support against Mr Icahn at a bitter proxy fight in June, but at the price of a scheme to sell off more than \$5bn in marginal assets and pay out a third of the proceeds to stockholders.

Texaco has already sold its West German business, Deutsche Texaco, for \$1.2bn and raised over \$800m from selling half of its big marketing network in the eastern US to Saudi Arabia.

Mr James Kinnear, chief executive, said yesterday: "The possible sale of Texaco's interest in Texaco Canada - potentially

the third major sale of operating assets in the company's restructuring - would represent another major advance in that programme."

Mr Philip Dodge, an analyst at Nomura Securities in New York, believes that Texaco Canada, which has a publicly quoted minority shareholding, is worth as much as C\$3.9bn (US\$3.25bn) in its entirety. The company, which has some 380m barrels of proven oil and natural gas liquids and 1.98bn cu ft of gas, operates refineries in Ontario and Nova Scotia and sells petrol and petroleum products throughout Canada.

Rusky Oil and Canadian Occidental have already expressed interest in the company, while Mr Icahn held talks with Gulf Canada in an attempt to pre-sell the business as part of his takeover bid.

US group sells Callard & Bowser

By Anatole Kaletsky in New York

TLC GROUP, the private investment partnership which last year acquired most of the international businesses of Beatrice Foods in a \$965m leveraged buyout, is to sell Callard & Bowser, the UK-based confectionery manufacturer to United Biscuits, also of the UK, for \$44m.

UB will pay £21.5m, or about \$37m, in cash and assume debts of around \$7m.

The deal cuts TLC's net acquisition costs to \$340m. TLC, run by Mr Reginald Lewis, one of America's best known black businessmen, will thus have repaid two-thirds of the cost of buying Beatrice International in just over a year.

Over the past year, TLC has raised \$137m through the sale of Beatrice International's Latin American businesses, \$635m by selling 60 per cent of Beatrice Canada and \$90m by disposing of its half-share in a meat processing venture in Spain.

Mr Lewis, TLC's chairman, said he was now working on the "repositioning" of two other businesses which did not fit the profile of the remaining Beatrice units. These are Beatrice Poultry, based in the UK, and the Beatrice Bottling Group, based in the Netherlands and Belgium.

After all these divestitures, Mr Lewis and his partners will still own a business with annual revenues of over \$1.5bn. Its main operations will be in France, where Beatrice International owns convenience stores and hypermarkets with annual sales of over \$1bn. The European group also has a \$200m ice cream business and Tayto, the largest snack company in Ireland.

TLC intends to hold on to a 50 per cent interest in a food business in China, a company based in Hong Kong and its 20 per cent interest in Beatrice Canada.

Clay Harris adds from London: Callard & Bowser, which registered sales of \$23.5m in 1987, will become part of UB's confectionery division, which includes Terry's of York. UB said it would retain the UK factories at Halifax, Yorkshire, and Bridgend, Wales.

US ready to refinance arms loans

Israel is likely to be the first of a number of nations to refinance military loans extended by the US Government in the early 1980s. Wall Street brokers estimate that perhaps as much as \$14bn in loans awarded to more than 20 countries to buy US arms could be refinanced in New York.

Many of these countries have been paying 13 or 14 per cent interest on their borrowings, but now they have the opportunity to secure dramatic savings after a Congressional vote in December which gave the go-ahead to refinance at lower interest rates.

The programme, passed into law by Congress, provides for nations paying at least 10 per cent interest on their loans to refinance. The US Government will guarantee 90 per cent of the principal and interest on the new loans, leaving 10 per cent of the risk to the borrower nation.

But, after criticism within the financial industry, the Treasury reversed an earlier ruling and allowed the 10 per cent to be collateralised with US Treasury securities.

The Treasury initially opposed the refinancing programme at much lower interest rates but its revenue considerations were waived in favour of the strategic priorities of the State Department and the Defence Department.

The only three nations which have so far appointed financial advisors and management teams are believed to be Israel, with \$5.5bn in loans to refinance, and Tunisia, which has just under \$200m in loans outstanding.

Israel has appointed KKR Peabody as its financial advisor and has also set up a large lead management team with Shearson Lehman Hutton and Salomon Brothers as the original co-leads and Bear, Stearns, First Boston and Merrill Lynch added as co-leads recently.

Tunisia has appointed Citibank as lead manager and Bankers Trust and Merrill Lynch as co-leads.

Turkey is believed to have set up a management team comprising Bankers Trust, Lazard, Salomon Brothers and Shearson Lehman Hutton to

organise the refinancing of a potential \$1.2bn in loans and \$400m in arrears.

Other nations are known to have been taking soundings and Pakistan recently listened to presentations by brokerages and commercial banks in Islamabad. Pakistan could potentially refinance \$400m.

According to Wall Street sources, Israel plans to offer a \$8m bond issue in September. This would be the second-largest single debt sale in the US. The largest was a \$4m asset-backed deal for the General Motors Acceptance Corporation in October, 1985.

This decision could mean that various credit rating agencies, considering the refinancing programme and the kind of securities which could be issued, will give those securities triple A ratings.

It appears that the thinking

on how each individual country will choose to refinance their loans is at a fairly early stage. It seems likely that the nations will tend to collateralise the 10 per cent portion of the loans. This path provides investors with the most risk-averse package and therefore borrowing countries with the most cost-efficient method of refinancing debt.

Mr Michael Clair, vice-president in the government finance department at Citibank, said he believed Tunisia would choose to collateralise the 10 per cent portion.

He explained that countries have three options. First, they could decide not to refinance at all. Second, they could simply go to a bank and take out a loan at a lower rate. Thirdly, a method which he regards as most cost-effective, a nation could issue underwritten securities to US institutions. These securities would be priced at a spread above US Treasuries, probably at maturities similar to those of the original loans.

Borrowers with a smaller amount of debt outstanding may prefer to issue securities through a private placement.

Bankers and brokers say that the attraction of winning a slice of this refinancing business is the sheer size of the programmes being put together and the high-grade nature of the paper. Despite the size of the potential refinancings, there seemed little

NY Life plans \$830m sale

By Janet Bush in New York

NEW YORK Life Insurance, which invests around \$40bn for itself and pension fund customers, is to sell its entire \$830m portfolio of stocks for its own account.

However, the company remains invested in equities in its managed accounts and in pension accounts managed for its own employees whose exposure to the stock market has, in fact, increased.

An official for the insurer said that the decision to rid

itself of its equity exposure on its own account did not reflect a generally negative view of the stock market.

It was, he added, a strategic move designed to match the income requirements of its general insurance business, which the company believes would be better served by an investment in fixed income.

The official said he believed that the funds would be reinvested predominantly in US government bonds.

Last November, Boeing and Rockwell decided severely to cut the equity component of their pension funds. In the case of Rockwell, the company apparently ordered its fund managers on November 12 to reduce the stocks component of their portfolios within two weeks, a step regarded as radical by other fund managers.

The New York Life official said he did not regard the decision to pull out of equities on its own account dramatic.

Sun Micro doubles profit

By Our Financial Staff

SUN Microsystems, the fast-growing manufacturer of computer workstations, more than doubled revenues and earnings in the fourth quarter, boosted by an aggressive shipment programme to reduce backlog and a strong workstation market.

Earnings totalled \$35.2m or 66 cents a share on revenues of \$365.1m, against \$10.5m or 31 cents on sales of \$185.5m a year earlier and well above Wall Street expectations.

For fiscal 1988, earnings increased by 83 per cent to \$66.4m or \$1.79 a share, from \$36.3m or \$1.11 for the previous

Alliant Computer launch

By Paul Abrahams

ALLIANT COMPUTER Systems, the Massachusetts-based computer manufacturer, yesterday announced a new series of mini-supercomputers. The move follows Alliant's merger in June this year with Raster Technologies, which specialises in high performance three dimensional graphics.

The computers, called the Visualisation Series, are the latest of several high-powered graphic machines to be launched on a busy market. Other manufacturers of such systems include Stellar Computer and Argent.

Last year, Alliant was the market leader in the US with 43 per cent of the mini-super-computer market. Its net sales were \$53.5m compared with \$30.7m in 1986.

Mini-supercomputers offer relatively powerful computing at a fraction of the cost of full-scale supercomputers, such as Crays, which can cost between \$2.5m to \$20m even before installation. Alliant's Visualisation Series starts at \$54,800 (\$68,340).

Alliant says the market for mini-supercomputers could reach more than \$2bn a year, but as yet demand is small.

Sharp rise in Boeing earnings

By Our New York Staff

BOEING, the world's leading aircraft manufacturer and the biggest exporter from the US, reported a big advance in profits and revenues during the second quarter as worldwide demand for its commercial aircraft continued to strengthen.

Net profits totalled \$160m or \$1.05 a share, 37 per cent higher than the \$117m or 75 cents reported in the second quarter of 1987. Sales increased by 35 per cent to \$4.71bn.

In terms of both its sales and earnings, the company's growth accelerated in the sec-

ond quarter compared to the first. For the first six months of 1988 as a whole, earnings grew by 28 per cent to \$296m or \$1.94 a share, while sales increased by 15 per cent to \$8.32bn.

For 1988 as a whole Boeing said it expects sales to total \$17bn.


The strength of civilian orders more than made up for a \$200m decline in military sales to the US and foreign governments during the first six months of the year. Military sales in the first half came

to \$2.2bn, or 29 per cent of Boeing's total firm backlog of unfilled orders increased to \$39.9bn from \$33.2bn at the end of 1987. Of this backlog, 83 per cent was for commercial customers and foreign governments, while 18 per cent was for US government orders.

Mr Daniel Taylor has been elected chairman of Lockheed, the missiles and space systems group, in succession to Mr Lawrence Kitchen, who has reached the company's mandatory retirement age of 65.

This announcement appears as a matter of record only.

New Issue 2nd August, 1988



The Hokuriku Bank, Ltd.

U.S. \$100,000,000


3 3/4 per cent. Convertible Bonds due 2003

Issue Price 100 per cent.

<p>Hokuriku Finance (H.K.) Limited</p> <p>Banque Paribas Capital Markets Limited</p> <p>Manufacturers Hanover Limited</p> <p>The Nikko Securities Co., (Europe) Ltd.</p> <p style="text-align: center;">J. Henry Schroder Wagg & Co. Limited</p> <p>DKB International Limited</p> <p>Goldman Sachs International Corp.</p> <p>Kleinwort Benson Limited</p> <p>ANZ Merchant Bank Limited</p> <p>Bank of Tokyo Capital Markets Group</p> <p>Barclays de Zoete Wedd Limited</p> <p>Cazenove & Co.</p> <p>Citicorp Investment Bank Limited</p> <p>Cosmo Securities (Europe) Limited</p> <p>Deutsche Bank Capital Markets Limited</p> <p>LTCB International Limited</p> <p>New Japan Securities Europe Limited</p> <p>Sanwa International Limited</p> <p>Standard Chartered Asia Limited</p>	<p>Yamaichi International (Europe) Limited</p> <p>Daiwa Europe Limited</p> <p>Morgan Stanley International</p> <p>Nomura International Limited</p> <p>Fuji International Finance Limited</p> <p>IBJ International Limited</p> <p>Nippon Credit International Limited</p> <p>S.G. Warburg Securities</p> <p>Bank of America International Limited</p> <p>Banque Indosuez</p> <p>James Capel & Co.</p> <p>Chase Investment Bank</p> <p>Commerzbank Aktiengesellschaft</p> <p>County NatWest Limited</p> <p>Dresdner Bank Aktiengesellschaft</p> <p>J.P. Morgan Securities Asia Ltd.</p> <p>Nippon Kangyo Kakumaru (Europe) Limited</p> <p>SBCI Swiss Bank Corporation Investment banking</p> <p>Union Bank of Switzerland (Securities) Limited</p> <p>Wako International (Europe) Limited</p>
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All these securities having been sold, this announcement appears as a matter of record only.

New Issue August, 1988



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INTERNATIONAL COMPANIES AND FINANCE

Finland picks Valmet for first partial privatisation

By Olli Virtanen in Helsinki

VALMET, THE Finnish metal and engineering group, will become the country's first state-owned company to be partly privatised through an issue consisting of 6.5m shares at FIM120 apiece to domestic investors.

Kankaanpää, president of Valmet, the company retains an option to make another launch, possibly in fresh shares, within a year.

domestic tractor production (17 per cent), Valmet do Brazil tractor operation (3 per cent), transportation equipment (11 per cent) and aircrafts (2 per cent).

Henderson Land plans asset swaps with unit

By Michael Murray in Hong Kong

HENDERSON LAND, the Hong Kong property group, and its subsidiary, Wing Tai Development, yesterday announced details of a group restructuring which will see substantial asset swaps between the two and the raising of HK\$960m (US\$123m) by Wing Tai through a share placement and offer to minority shareholders.

Siemens nine-month sales rise

By Halg Simonian in Frankfurt

SALES AT Siemens, the West German electronics and electrical group, rose by 7 per cent to DM39.7bn (\$21.23bn) in the first nine months of the current business year, which ends on September 30.

year, said the company. Last month, Mr Karlheinz Kaske, the chief executive, predicted that profits for the year would "not be below, and very likely above" those for 1987-88, when Siemens made DM1.26bn after tax.

pick-up in the group's domestic business, which had been lagging overseas sales in the early part of the year. Domestic new orders at the nine-month stage of DM17.4bn were 1 per cent above the level at the same time last year, while new orders from abroad rose by 12 per cent to DM23.1bn.

South African bank raises first-half profits

By Jim Jones in Johannesburg

STANDARD BANK, the former South African associate of Standard Chartered of the UK, suffered from narrower lending margins in the six months ended June 30, but increased profits with greater lending.

Currency factors depress premiums at Munich Re

By Our Frankfurt Staff

PREMIUMS AT Münchener Rückversicherung (Munich Re), the world's largest reinsurance company, fell by just under 2 per cent in the 1987-88 business year to about DM11.7bn (\$6.25bn).

sign premiums fell owing to the strength of the DM. Full results will not be released until later in the year, but the group said underwriting losses on reinsurance would be about the same as last year's loss of DM406m. By contrast, the group said the general business result, which comprises investment income, would be above the DM1.1bn reported in 1987-7.

Wharf Holdings 24% ahead

By Our Hong Kong Correspondent

WHARF HOLDINGS, the Hong Kong hotel, transport and property group controlled by Sir Yue-Kong Fao, yesterday announced a 24.2 per cent increase in profits attributable to shareholders to HK\$1.27bn (US\$168m) for the year ended March 31.

Hafslund woos foreign holders

By Karen Fosell in Oslo

HAFSLUND NYCOMED, the diversified Norwegian group with main interests in pharmaceuticals and energy, is seeking to increase the limit on the foreign ownership of its voting shares to 33.3 per cent from 20 per cent.

Petroleum, on the Oslo Stock Exchange in terms of market value, which is estimated at Nkr6.5bn (\$66m).

for an undisclosed amount. The purchase will put Dyno among the world's top three producers of formaldehyde.

Seoul not to ease control of central bank

By Maggie Ford in Seoul

INCREASING demands for financial liberalisation in South Korea have been rebuffed by the Ministry of Finance, which has made it clear that it will not relinquish control of Bank of Korea, the central bank.

The ministry is expected to announce today that the Office of Bank Supervision and Administration, a subsidiary of Bank of Korea charged with overseeing the commercial banks, is to be moved out and placed under direct government control. It will also supervise non-banking institutions.

financial sector and introduce a Western style money market, and an independent central bank. The campaign, which groups Bank of Korea, the securities industry, the biggest business groups, most foreign financial institutions and now the commercial banks, has been backed by the opposition parties in the National Assembly.

country, but who have little experience in the financial world. The ministry and other government economic planners have resisted the campaign, arguing that it will lead to centralisation of economic control in the big business groups.

This announcement appears as a matter of record only.

JUNE 1988

U.S. \$150,000,000



Short-term Financing Facility

Arranger Credit Suisse First Boston Limited

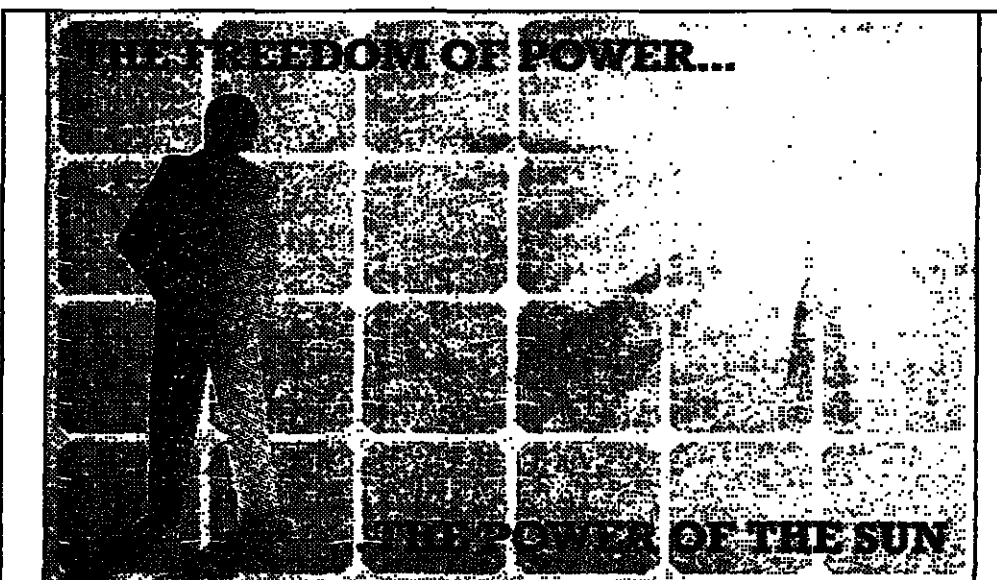
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- ABN Bank Canada, Banca Nazionale del Lavoro of Canada, The Bank of Tokyo Canada, Banque Nationale de Paris, Banque Paribas du Canada, Crédit Lyonnais Canada, Dai-ichi Kangyo Bank (Canada), Deutsche Bank (Canada), Fuji Bank Canada, National Westminster Bank of Canada, Sanwa Bank Canada, Société Générale (Canada), Swiss Bank Corporation (Canada), Union Bank of Switzerland (Canada)

Facility Agent Credit Suisse First Boston Limited



RJM Solar has transformed solar power into practical solutions for lighting, refrigeration, signalling and security. Versatile products for easy installation and a generation or more of maintenance-free power.

RJM Solar products grow with your needs. You can start small and add lighting, radio transmitters/receivers, TVs, telesees and refrigeration. Or outdoor lighting, battery chargers, cathodic protection systems, Vaccine refrigerators.

Contact: RJM Solar, Chemin de la Pralay 32, 1294 GENTROD, Geneva, Switzerland. Telephone 022-74 24 24. Telex 427 130 TTX.

RJM Solar products are manufactured in Italy

PIMA Savings and Loan Association US\$100,000,000 Collateralised Floating Rate Notes due 1993

In accordance with the terms of the Indenture, notice is hereby given that the Rate of Interest for the period 1st August, 1988 to 1st November, 1988 has been fixed at 8.75 per cent per annum.

THE KINGDOM OF DENMARK US\$100,000,000 Duet Bond due 1991

Notice is hereby given that the interest payable on the relevant Interest Payment Date 3 August 1988 against Coupon No. 2 in respect of US\$100,000 nominal of the Bonds will be US\$8,452.15.

SPAREKASSEN SDS

(a savings bank established under Danish banking law)

¥5,000,000,000

Floating Rate Notes Due 1993

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period from 3rd August, 1988 to 3rd February, 1989 being the first Interest Payment Date (all as defined in the Terms and Conditions), is 4.97% per annum.

Interest payable on 3rd February, 1989 will amount to ¥2,505,425, per ¥100,000,000 principal amount of the Notes.

Agent Bank The Long-Term Credit Bank of Japan, Limited Tokyo

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Treasury plays a practical card

Simon Holberton examines the Government's refinancing strategy

If there was a word which kept cropping up in official explanations of yesterday's Government decision to redeem a 1985 \$2.5bn floating-rate note loan and refinance part of it through the issue of Treasury bills denominated in European Currency Units it was "practical."

Officials noted that the Government does not need the money but would like a continuing presence in the market. The Ecu was chosen in preference to issuing dollar denominated bills in London or the US to make a contribution to the development of the Ecu and closer European monetary co-operation.

part of their short-term public debt the same way. Two other factors, however, stand out as important reasons for the Government's decision to redeem the 1985 FRN and to issue Ecu debt: the massive rise in official reserves and the desire to diversify the currencies held as reserves.

of official figures showing an underlying rise of \$910m, a rough guide to the level of official intervention in July to stem the rise of the pound. A spin-off from the Ecu bill programme will be the accumulation of European currencies. D-Marks, French francs and Dutch guilders account for about 35 per cent, 18.5 per cent and 11 per cent respectively of the Ecu, so it will lead to a progressive diversification of the UK's international reserves.

FRN call sparks busy trading

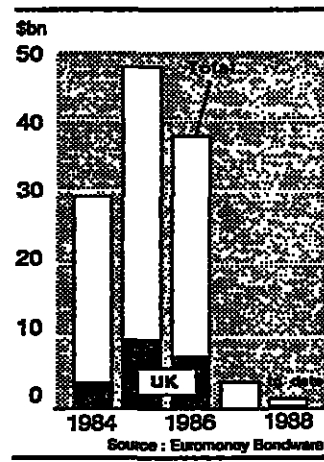
By Our Euromarkets Staff

THE PROPOSAL to call the \$2.5bn UK floating-rate note failed to rock the FRN sector, where a move of this sort had been anticipated for some months. However, the announcement provided FRN traders with their briskest day's business for some time as investors switched into comparable sovereign paper.

little interest from retail accounts detected as yet. Traders agreed it was still too early to fully assess the impact of the issue's redemption on the market. Although the rest of the sector received an initial boost, many fear that investors may not decide to reinvest their funds in US dollar FRNs, which have not commanded centre stage in the Eurobond market since trading practices and liquidity collapsed for a period in the first half of 1987.

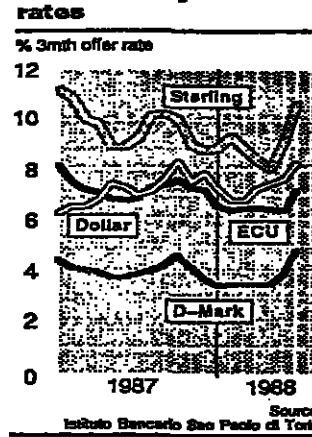
Persistent fears about large-scale dollar investment have meant that sterling FRNs have eclipsed the dollar-denominated sector of the market so far this year.

Issues in \$ FRN market



Source: Euromoney Bondwatch

Eurocurrency interest rates



Bold bid for lead Ecu role

By Stephen Fidler

THE EUROPEAN Currency Unit, created in 1979 at the birth of the European Monetary System, is the most successful artificial currency ever devised.

Its growth has been slowed by several factors, including the lack of a so-called lender of last resort. Unlike national currencies, it is not backed by a central bank. There has been hardly any link between the private Ecu - Ecu-denominated bank deposits, bonds and the unit of account in which the European Community's finances are denominated.

Faulty wire report stuns Australian dollar sector

By Dominique Jackson

ACTIVITY IN the Eurobond market remained thin yesterday and was largely restricted to the floating-rate note sector. The floating-rate note sector enjoyed a brief burst of activity on the announcement that the Treasury would call the UK \$2.5bn issue due 1982, and prices of comparable sovereign issues in the sector were marked higher.

state's own issues and they had not reflected any ripple effects throughout the rest of the semi-government bond sector. Some said a delayed reaction might be seen in Australian markets today but many added that the report did not contain any particularly new information which would seriously jeopardise perceptions of the state's credit rating.

West German bond prices received a boost from the marginally easier initial tone of the US dollar but volumes remained thin and final gains were limited. With some short-covering ahead of the announcement of the details of the new federal government bond, expected shortly.

INTERNATIONAL BONDS

limited short covering but in continued low volumes ahead of the refunding details and Friday's US July employment report. The 14 per cent rise in US leading indicators for June was as expected and had little impact.

No new equity warrant deals emerged yesterday, indicating that the temporary suspension of issuance in the sector appears to be holding up, although a few new issues are expected to emerge before the end of the week.

W Hunt issue taken up

By Michael Merry in Hong Kong

THE LARGEST share offering by a Hong Kong company since last year's stock market crash has been successfully completed, bringing in about HK\$1.2bn (US\$153.8m) for William Hunt Holdings to help finance its purchase of a hotel chain.

The offering consisted of an open offer to existing shareholders in Hong Kong and an international placing. Brokers said that more than half the shares were placed abroad.

Saudi developer plans flotation

By Finn Barre in Riyadh

MAKKAH, THE Saudi Arabian property development and construction group, is to go public, with an issue on the Saudi stock market planned for later this month.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Bid, Offer, Change on week, and Yield. Includes sections for US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, and FLLOATING RATE NOTES.

Table with columns for Bond Name, Issued, Bid, Offer, Change on week, and Yield. Includes sections for EURO CURRENCY, SWISS FRANS, and OTHERS.

Advertisement for Dartford River Crossing Limited. Includes logo, company name, amount (£85,000,000), and a list of participating banks and agents.

UK COMPANY NEWS

Problem areas hold back rise at Unitech to £14.7m

By Hugo Dixon

UNITECH, the electronic components manufacturer and distributor, yesterday reported a 9 per cent increase in pre-tax profits to £14.7m for the year to May 28. The results were in line with indications given by the management in February that the second half would be flat.

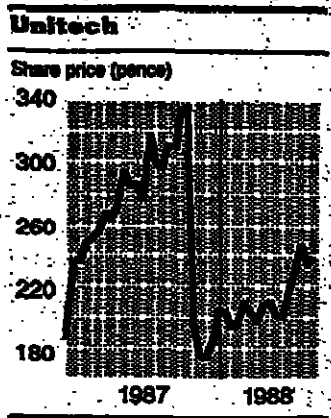
The two problem areas were Rapid Recall, which distributes components in the UK, and Rathdown Industries, which makes payphones.

Rapid Recall's business suffered mainly from a policy change by Digital Equipment, the US computer manufacturer, which is its largest supplier. DEC has decided to sell more of its components directly rather than through distributors.

Mr Peter Curry, Unitech chairman, said there were signs that the slowdown at Rapid Recall was coming to an end.

Unitech's other distribution companies - Walmore Electronics and Ceidix Italiana - increased their profits, but not enough to compensate for the downturn at Rapid Recall. The division saw its profits fall by 6 per cent to £4.5m.

Rathdown Industries was hit by a decline in orders from



British Telecom, its largest customer. The connectors and special products division, which includes Rathdown, saw its profits drop by 47 per cent to £1.7m.

Mr Curry, said, however, that following the recent liberalisation of the UK payphone market, the company had attracted two new customers. The power supplies and control products divisions both increased their profits - from £2.7m to £3.5m and from £1.3m to £3.3m respectively.

The group tax charge increased to 36.5 per cent (33.6 per cent), as a result of higher

overseas earnings. Post-tax profits were £9.5m (£8m) and earnings per share were 19.9p (19.2p). The directors propose a final dividend of 5.5p, for a total of 9.06p (7.96p).

COMMENT

Unitech seems set for another year of slow growth in 1988-89. Although the group points out that the slowdown at Rapid Recall is coming to an end, the end has not yet arrived. And, while the new liberalised market for payphones could become an attractive business in the future, it seems unlikely that Rathdown Industries will be able to do better than mark time this year, given the drop in orders from BT. Profits from power supplies and control products should continue to grow, but not as rapidly as last year, now that the data processing industry seems to be entering a period of slower growth. The extra £50m in cash from Elektrowatt should help the group achieve pre-tax profits of about £20m for the year, giving 21p in earnings per share. But, barring particularly shrewd acquisitions which Unitech has not so far been noted for, prospects are unexciting. At a price of 235p the shares are fully valued.

Yorkshire Bank 14% up at £48m halfway

By David Barchard

YORKSHIRE BANK group yesterday reported an increase in 14% in pre-tax profits for the first six months of 1988. Net interest income rose by 13 per cent to £81.7m (£72.2m) while total assets were £2.75bn (£2.18bn). Pre-tax return on total assets was 1.74 per cent.

Lending to commercial customers grew by £150m during the six months to stand at £763m (£555m) and the bank's mortgage book stood at £1.46bn at the end of June compared with £38m a year ago. During the first half the bank launched its own Visa card and over 150,000 have been issued.

The bank has more than 2.5m accounts for the first time.

Yorkshire Chemicals ahead by 35%

A 35 per cent increase in pre-tax profits from £2.58m to £3.49m is reported by Yorkshire Chemicals for the six months to June 30 1988.

The directors of this Leeds-based maker of dyes, tanning materials and specialty chemicals, have stepped up the interim dividend by 50 per cent to 3p.

Turnover rose to £27.05m (£24.15m) and they said recent organic development acquisitions had considerably broadened the sales opportunities available. The programme of investment to increase capacities and contain costs was being accelerated. The company's objective was to establish a firm basis for sustainable long-term growth.

For the current year they anticipated a further significant improvement in earnings per share provided world trade and exchange rates remained close to present levels.

Earnings for the half year rose from 11.5p to 15.7p basic and to 15.2p (11p) fully diluted. Tax charges totalled £696,000 (£532,000).

Pacer results hit by US defence cuts

By Clare Pearson

A SUDDEN cut in US defence spending slashed pre-tax profits of USM-quoted Pacer Systems, the US electronics defence contractor, from \$707,000 to \$132,000 (£76,744) in the six months to end-June. Turnover fell to \$15.15m from \$15.92m.

At the end of April, the Defense Department deferred new contracts, and further work on existing ones, after it had discovered its spending was some \$2.5bn ahead of levels agreed with Congress last autumn, Pacer explained.

Unexpected losses of about \$450,000 incurred at Sea Data, the manufacturer of oceanographic measurement and data acquisition equipment which Pacer bought last year, also cut the pre-tax figure.

Nevertheless, Mr Jack Rennie, chairman, said he believed in Pacer's prospects for recovery in the second half. He said the US Defense Department continues to place the highest priority on anti-submarine, amphibious and mine warfare and wargaming, the areas for which Pacer supplies software-based systems and consultancy.

An \$18.5m five-year contract for the US navy for airborne anti-submarine warfare programs had brought Pacer's order book to June 30 to \$52m, double its level at the same point in 1987.

Meanwhile, a recent report by the US navy on Pacer's Ballast software package, which enables a ship's crew to analyse the stability and trim of a

ship, had marked a "breakthrough," Mr Rennie said.

Although no firm orders had as yet emerged, Pacer had received verbal indications that the US navy would outfit ten of its FFG-7 class frigates with the system.

Fully diluted earnings per share came out at 1 cent (7 cents). But the interim dividend is unchanged at 2.5 cents per share.

COMMENT

Considering the Defense Department precipitously put on hold orders that Pacer had budgeted for these results looked credible. But they still showed the extreme vulnerability of the company to the whims of the authorities - notwithstanding that the importance attached by defence authorities world-wide to anti-submarine warfare means it is basically in a growth market. The products division too has been given a boost by the US navy's report on Ballast. Mr Rennie says European defence authorities have been waiting on the US decision; but US orders alone could be four or five times as high next year as the ten frigates being talked about now.

Pre-tax profits next year could be around \$2.25m; but this year they will not be much above \$1m, giving a prospective p/e over 14, which seems quite enough. The directors have a controlling interest, so though the deal yet to be completed, takes the form of an agreed share bid valuing RMG at about £28m. Waverley's pre-tax losses fell from £210,000 to £176,000, on lower turnover of £3.16m (£3.35m). Losses per share were static at 2.67p.

Waverley Cameron reveals plans for acquisitions as losses fall

By David Walker

WAVERLEY CAMERON, the small loss-making Edinburgh stationery company subject to a bitter bid battle at the beginning of the year, yesterday gave some details of its acquisitions plans as it reported reduced losses for the 15 months to the end of March.

Mr Jimmy Gulliver, the Scottish financier and former chairman of the Argyll supermarket group who took control of Waverley in February after fighting off a rival bid from Flavell Communications, said future acquisitions would be concentrated on four areas:

stationery; manufacture, marketing and distribution of high quality consumer goods; retailing; and a service and corporate communications consultancy in Scotland.

To date, there has been only one acquisition, that of Ronald Martin Groome, with interests including gift stationery. The deal, yet to be completed, takes the form of an agreed share bid valuing RMG at about £28m.

Waverley's pre-tax losses fell from £210,000 to £176,000, on lower turnover of £3.16m (£3.35m). Losses per share were static at 2.67p.

Molynx doubles to £381,000 midway

First half pre-tax profits more than doubled at Molynx Holdings, manufacturer of equipment for the closed circuit television industry.

Sales in the six months to June 30 rose to £3.2m, against £1.3m, which generated a pre-tax profit of £381,000 (£181,000). Earnings per 20p share were up from 3.4p to 4.8p.

Polly Peck

Polly Peck, agriculture, electronics and textile group, is to buy out minority shareholders in Rainbow Orient Corporation, a Hong Kong company in which it holds 96.6 per cent. Its offer of HK\$5.10 a share could result in a total outlay of HK\$17.95m (£1.94m).

Shandwick steps up world-wide expansion

By Philip Coggan

SHANDWICK, public relations group, has made another round of acquisitions as part of its world-wide expansion plans. The company is paying an initial total of £3.1m for five public relations groups in Australia, the Netherlands and the US.

Two of the companies, IPR Australia and IPE New Zealand, are part of the IPR network, a loose federation of international public relations groups. Shandwick acquired the founder and largest company in the group - Tokyo-based International Public Relations, earlier this year.

The other three acquisitions are Dutch-based Voorhoeve, and in the US, Hi-Tech Public Relations and A Brown-Olson Associates. The US companies are based in San Francisco and Atlanta respectively.

Readicut buy

Readicut International, the specialist textile manufacturer, has announced the acquisition of Fox Umbrella Frames from Teampace, a private company, for £1.4m in cash. Last October, Readicut acquired another umbrella-maker, William Hoyal, for £7.5m in cash and shares.

McCarthy & Stone in £19.6m placing to fund purchase

By Andrew Hill

MCCARTHY & STONE, retirement home specialist, is to raise about £19.6m, after expenses, by a placing of cumulative redeemable preference shares.

The proceeds will be used partly to fund the proposed acquisition of Merin Immobilier, French holiday apartment business. On July 15 the group announced it was offering £156.98m (£14.5m) for Merin.

County NatWest and de Zoete & Bevan are to place 20m cumulative redeemable preference shares with institutional and corporate investors at just below the par value of £1. The shares will be redeemed at par on October 1 2003. Dealings are expected to begin on August 26.

McCarthy said the balance of the proceeds would be used to increase working capital, allowing the group to continue its programme of expansion including the development of a site in southern Spain.

The group has already set up two instruments for large-scale borrowing. It took out a £100m multi-option facility (MOF) in March 1987, later extended to £150m, of which £104m is committed. In May, it put in place a £50m commercial paper programme to supplement the MOF.

The shares fell 4p to close at 424p.

COMPANY NEWS IN BRIEF

ABACO INVESTMENTS has acquired Foundry Management & Design Co, a technical consultancy for the foundry industry. Abaco is the professional services arm of British & Commonwealth Holdings FMD will join Technical Audit Group, the holding company for Abaco's technology-based consultancies.

BARBYGRO'S directors and their families have irrevocably undertaken to accept the offer from Robert H Lowe in respect of their holdings of 1.72m shares (16.3 per cent). In addition, investors in Industry (3), Save and Prosper Group, Kleinwort Greaveson Investment Management and Throgmorton Investment Management have indicated their intention to accept the offer in respect of an aggregate holding of 3.69m Babygro shares (35.1 per cent).

BRITISH SYPHON Industries, industrial group, is selling Graphic & Display Products to Hartons Group for about £2.4m cash. Hartons will also settle GDP's indebtedness of about £3.4m. British Syphon has retained the freehold properties occupied by GDP and intends to sell them to raise about £3m.

CANNON STREET Investment has acquired Cambus Foods through its subsidiary T and L (Fine Food and Wine) for £500,000 cash. Profit for the year to March 31 1988, after adjusting for directors' remuneration, amounted to £156,000. Net assets at the date were £280,000.

ERSKINE HOUSE: Rights issue of new 7.25p convertible cumulative redeemable preference shares taken up as to 20.6m shares (79.4 per cent).

INOCO: A subsidiary of Monaco Group Fund has purchased 2.58m ordinary, and the shareholding of Monaco and its associates now amounts to 62.58m (48.48 per cent). Mr D. Row-

land, a director of Inoco, is taken to be beneficially interested in these shares. Inoco has also disposed of its leasehold investment property in Edgbaston, Birmingham, for £3m.

MARLBOROUGH LEISURE Park has bought Landsaver MCP from Eagle Trust for £5m. Landsaver, a hydroponic company, has been chosen to provide the machines which will produce fresh grass for the horses of the British equestrian team at the Olympics. Eagle Trust has acquired a 10 per cent stake in Marlborough.

NSM has substantially reduced overheads and made satisfactory progress in merging the two coal mining workforces. Mr Don Carr, its new chairman, told the annual meeting. The company was formed in April from an asset swap scheme between Anglo United and Burnett & Hallamshire. Mr Carr said new sites were being developed by NSM and a review of its core activities undertaken. NSM had traded very satisfactorily in the first few months.

OSPREY COMMUNICATIONS has acquired a small design studio, Eisey Sidaway and Wallace, for £135,000 to be paid over two years. Agreement has also been reached to acquire Marketing Strategy, a promotions company, for which the initial consideration will be satisfied by the issue of 523,255 ordinary shares.

SPANDEX, supplier to the signs industry, has bought 80 per cent of Signes Diseno, Spanish signmaker, for an undisclosed sum. The balance will be bought within the next five years on a profit-related basis.

SOUND SYSTEMS: the offer from Telephone Rentals has become unconditional in all respects. Acceptances have been received in respect of 650,000 (100 per cent).

To the Holders of COLLATERALIZED MORTGAGE OBLIGATION TRUST TWENTY-THREE Class A Floating Rate Bonds Due May 1, 2017 Pursuant to the Indenture dated as of March 11, 1987 between Collateralized Mortgage Obligation Trust Twenty-Three and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period from August 1, 1988 through October 31, 1988 as determined in accordance with the applicable provisions of the Indenture, is 8.8375% per annum.

To the Holders of COLLATERALIZED MORTGAGE OBLIGATION TRUST EIGHTEEN Class A-1 Floating Rate Bonds Due February 1, 2017 Pursuant to the Indenture dated as of November 26, 1986 between Collateralized Mortgage Obligation Trust Eighteen and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period from August 1, 1988 through October 31, 1988 as determined in accordance with the applicable provisions of the Indenture, is 8.9375% per annum.

GOTHENBURG & WEST OF SWEDEN The Financial Times proposes to publish this survey on: 14th October 1988 For a full editorial synopsis and advertisement details, please contact: Chris Schausberg on 01-248 8900 ext 3699 or write to him at: Bracken House 10 Cannon Street London EC4P 4BY FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

Republic New York Corporation U.S. \$150,000,000 Puttable Capital Notes For the six month period 27th July, 1988 to 27th January, 1989 the Notes will carry an interest rate of 8 1/8% per annum with an interest amount of U.S. \$450,42 per U.S. \$10,000 Note payable 27th January, 1989.

Mitsubishi Bank of Australia Limited A\$50,000,000 Floating Rate Notes due 1991 Notice is hereby given that for the three months interest period from 28th July to 28th October, 1988 the Notes will carry an interest rate of 12.82% per annum. Interest payable on 28th October, 1988 will amount to A\$1,611.26 per A\$50,000 Note. The Mitsubishi Bank, Limited London Branch Agent Bank

The next best thing to tomorrow's share price page. 0898 12 12 40/41 Leading shares A-K/L-Z respectively. CITYCALL

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING OF MEMBERS OF FRIENDS' PROVIDENT LIFE OFFICE will be held at 15 OLD BAILEY, LONDON EC4M 7AP ON WEDNESDAY 14TH SEPTEMBER 1988, at 2.15 p.m. to transact the following special business: To propose as an ordinary resolution: THAT the limit on the aggregate amount which directors shall be entitled to receive as remuneration for their services in each year be increased from £100,000 to £112,000. By Order of the Directors B. W. SWEETLAND Secretary 3rd August 1988 Friends' Provident Life Office, Fitzham End, Dorking, Surrey RH4 1QA. NOTES (a) A Member is entitled to appoint another person (who need not be a Member) to attend the above meeting and vote instead of him. (b) To be valid the instrument appointing a proxy, which should be as near to the form set out in rule 30 of the Rules of the Office as circumstances admit, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Fitzham End, Dorking, Surrey RH4 1QA, not less than 48 hours before the time fixed for holding the meeting, or adjourned meeting, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll. (c) Proxy forms may be obtained on application to the Secretary. (d) Members intending to attend and vote personally at the meeting should be prepared to quote their policy numbers. (e) Only Members are entitled to vote. Certain policyholders are not Members. If a policyholder who is not also a Member completes and returns a form of proxy, it will not be counted. (f) Members have one vote each irrespective of the number of policies held. (g) Members are entitled, on application to the Secretary, to receive a copy of the Report and Accounts.

These Securities having been sold, this announcement appears as a matter of record only. New Issue Imasco Limited (Incorporated under the laws of Canada) Can. \$100,000,000 10 1/2% Notes due July 7, 1993 Issue Price: 101 1/4% ScotiaMcLeod Inc. Commerzbank Aktiengesellschaft J.P. Morgan Securities Ltd. Morgan Stanley International RBC Dominion Securities Inc. Banque Bruxelles Lambert S.A. Cera-Spaarbank County NatWest Limited Crédit Lyonnais Credit Suisse First Boston Limited Deutsche Bank Capital Markets Limited Generale Bank Manufacturers Hanover Limited The Nikko Securities Co., (Europe) Ltd. Richardson Greenshields of Canada (UK) Limited Shearson Lehman Hutton International Société Générale Union Bank of Switzerland (Securities) Limited Yamaichi International (Europe) Limited July 1988

UK COMPANY NEWS

No approaches to Amersham despite bid speculation

Amersham International, the radioactive materials group which has been beset by bid speculation since the Government redeemed its golden share last Wednesday, has not received a takeover approach, writes David Waller.

Plessey buys Monsanto offshoot

Plessey electronics group, yesterday announced that it had agreed in principle to buy part of Fisher Controls, a London-based subsidiary of Monsanto, writes Vanessa Houlder.

Labour calls for referral of RHM bid

Mr Tony Blair MP, the Labour Party's city spokesman, has added his weight to the lobby which wants the £1.7bn takeover bid by Goodman Fielder Wattie, Australasian food group, for Rank Hovis McDougall, referred to the Monopolies and Mergers Commission, writes Ivor Owen.

Japanese to get their teeth into Bonio

By Christopher Parkes, Consumer Industries Editor ON THE heels of McDonald's popular breakthrough with hamburgers, and Unilever's introduction of Fish-On Fingers, the Japanese market's appetite for western foods is soon to be tested again...

Securicor boosted by traditional business

By David Waller SECURICOR GROUP and Security Services, its 51 per cent owned offshoot, yesterday reported interim pre-tax profits increased by 30 per cent to £11.89m...

Benjamin Priest doubles to £5.3m

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Wagon receives 82% acceptances

Wagon Industrial Holdings has secured acceptances for 81.6 per cent of ordinary shares and 87.9 per cent of preference shares in Banro Industries.

Japanese to get their teeth into Bonio

By Christopher Parkes, Consumer Industries Editor ON THE heels of McDonald's popular breakthrough with hamburgers, and Unilever's introduction of Fish-On Fingers, the Japanese market's appetite for western foods is soon to be tested again...

Liberty plays welcome role at TR

Nikki Tait on the mutual benefits of the US insurer's 15% stake "LET'S BE honest, a year ago the press in effect put a 'For Sale' sign over Touche Renmant." So says Mr Paul Manduca, vice-chairman of the City-based fund management group and Britain's largest investment trust house.

Securicor boosted by traditional business

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Racal and Millicom battle near to climax

By Hugo Dixon THE INTELLECTUAL battle between Racal Electronics and Millicom, the US telecommunications company, over the future of Racal's telecommunications subsidiary appears to be swinging Millicom's way. This is the conclusion of a straw poll of some of Racal's largest shareholders, conducted yesterday.

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Table with 5 columns: Company, Current payment, Date of payment, Corrs for dividend, Total for last year, Total for year. Includes Murray Int. Tel., Priest (Benjamin), Securicor Gp, Security Servs, Unitech, Yorks Chemicals.

Table with 2 columns: Company, Date. Includes Anglo Am. Ind. Corp., Anglo Ind. Corp., Anglo Ind. Corp., Anglo Ind. Corp., Anglo Ind. Corp.

TOTAL Compagnie Française des Pétroles Paris, France. ECU 50,000,000. 7 7/8% Bonds of 1988/1993. Includes logos for various banks like Commerzbank, Paribas, etc.

Table with 2 columns: Investment Trusts, Unit Trusts, Overseas Unit Trusts, Charities, International Funds, Private Clients, Pension Funds, Total. Total 3,528.



Benjamin Priest Share price relative to the FT-All-Share Index. Lewmar's basic winch activity was in line with expectations and was the cause of considerable optimism about the business, he said.

WILLIAM SINDALL plc (Registered in England No. 521970). Rights issue of 5,000,000 5.625 per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par.

Murray Int. Net asset value per 25p ordinary and "B" ordinary share of Murray International Trust amounted to 226.2p at June 30, a downturn of 32p on the figure 12 months earlier.

Table with 7 columns: High, Low, Company, Price, Change, Gross Yield, P/E. Includes various securities like 232 185 As. Brit. Ind. Ordinary, 232 186 As. Brit. Ind. CHLS, etc.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar better after weak start

THE DOLLAR recovered from a weaker start in currency markets yesterday, after further evidence of strong growth in the US economy.

Yesterday's data included a 1.4 p.c. rise in June leading economic indicators, and a 5.5 p.c. increase in June factory orders.

The dollar opened on a weaker note, having been sold off in late New York and Far East trading.

£ IN NEW YORK

Table with columns for Aug 2, Aug 1, and Aug 0, showing exchange rates for various currencies.

STERLING INDEX

Table showing Sterling Index values for various currencies and dates.

CURRENCY RATES

Table with columns for Aug 2, Aug 1, and Aug 0, showing currency rates for various countries.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies.

OTHER CURRENCIES

Table showing exchange rates for other currencies like Argentine, Australia, etc.

MONEY MARKETS

UK rates steady

INTEREST RATES remained steady in very quiet trading on the London money market yesterday.

Staking was little changed against the dollar and D-Mark, and there were no other factors to influence trading.

The Bank of England initially provided a money market shortage of £250m, but revised this to £150m at noon, and to £200m in the afternoon.

FINANCIAL FUTURES

US Treasury bonds firm

ATTENTION WAS focused on dollar denominated instruments on the financial futures market yesterday.

US leading indicators encouraged the trend, and particularly the downward revision of the May figure.

Treasury bond futures were on an upward path, before the figures were announced.

EUROPEAN CURRENCY UNIT RATES

Table showing European Currency Unit rates for various countries.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing Pound Spot and Forward rates against the pound.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot and Forward rates against the dollar.

BURO-CURRENCY INTEREST RATES

Table showing Bureau-Currency Interest Rates for various currencies.

EXCHANGE CROSS RATES

Table showing Exchange Cross Rates for various currencies.

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Table showing Exchange Cross Rates for various currencies.

EUROPEAN OPTIONS EXCHANGE

Large table showing European Options Exchange data for various series and dates.

BASE LENDING RATES

Table showing Base Lending Rates for various banks and currencies.

Advertisement for 'Soft' Focus Pensions Management, featuring an illustration of eyes and text about pension services.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trst Mgmt Ltd, Abnott Management Ltd, and Abnott Unit Trst Mgmt Ltd, including their names, managers, and performance metrics.

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I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IG10.

JOTTER PAD

CROSSWORD

Crossword puzzle grid with clues for Across and Down. Clues include: 1 Having little enthusiasm, only partially try the man (4-7); 7 Boastful talk is mainly cut (3); 9 This lamp is easy to move (5); 10 The start of an event is held with short (rum) (8); 11 Two students with meal and tea upset with certain plate (5); 12 Top class wise man's routine (5); 13 Genuine transmission to brand, one loses (7); 14 Provide a rent drop (4); 15 Admen usually included it (list of orders) (4); 16 The start of an event is held with short (rum) (8); 17 About the seat - you get to sit back again (6); 18 You can't see the parting of the waves when this (7); 19 Admen usually included it (list of orders) (4); 20 Wild animal of north or south? (6); 21 Port the overweight care for (6); 22 Tough about about a gee-gee (5); 23 Bit of a conflict (5); 24 Helps the waiting (and it's not unlawful) (5,4); 25 "Micro" game on blink affecting man and his work (9); 26 Minister's stipend - old money for a short time (5); 27 Showy marble is lost: how dull (3); 28 Treat all? Oul! When cooked it's a casserole (11).

Answers to the crossword puzzle. Across: 1 Having little enthusiasm, only partially try the man (4-7) - MIAO; 7 Boastful talk is mainly cut (3) - BOO; 9 This lamp is easy to move (5) - LAMP; 10 The start of an event is held with short (rum) (8) - RUM; 11 Two students with meal and tea upset with certain plate (5) - PLATE; 12 Top class wise man's routine (5) - ROUTINE; 13 Genuine transmission to brand, one loses (7) - TRANSMISSION; 14 Provide a rent drop (4) - DROP; 15 Admen usually included it (list of orders) (4) - ORDERS; 16 The start of an event is held with short (rum) (8) - RUM; 17 About the seat - you get to sit back again (6) - SEAT; 18 You can't see the parting of the waves when this (7) - WAVES; 19 Admen usually included it (list of orders) (4) - ORDERS; 20 Wild animal of north or south? (6) - BEAR; 21 Port the overweight care for (6) - PORT; 22 Tough about about a gee-gee (5) - GEE; 23 Bit of a conflict (5) - CONFLICT; 24 Helps the waiting (and it's not unlawful) (5,4) - WAIT; 25 "Micro" game on blink affecting man and his work (9) - MICRO; 26 Minister's stipend - old money for a short time (5) - STIPEND; 27 Showy marble is lost: how dull (3) - MARBLE; 28 Treat all? Oul! When cooked it's a casserole (11) - CASSEROLE.

Table listing unit trusts such as Abnott Unit Trst Mgmt Ltd, Abnott Management Ltd, and Abnott Unit Trst Mgmt Ltd, including their names, managers, and performance metrics.

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GUIDE TO UNIT TRUST PRICING. The data included under the Authorised section of the FT Unit Trust Information pages is designed to improve the service to readers and to conform with new legislation. These represent the market, administrative and other costs which will be paid by the investor. These charges are included in the price when the customer buys units. The price which units may be bought. The maximum spread between the offer and bid price is determined by a formula laid down in the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However, the bid price might be moved to the cancellation price in circumstances in which there is a large excess of offers of units over buyers. The time shown alongside the fund manager's name is the time at which the unit trust's daily net asset value is normally set unless another time is indicated by the fund manager alongside the individual unit type name. The symbols are as follows: * - 0900 to 1100 hours; @ - 1100 to 1200 hours; # - 1200 to 1300 hours; % - 1300 to 1400 hours. The time shown alongside the fund manager's name is the time at which the unit trust's daily net asset value is normally set unless another time is indicated by the fund manager alongside the individual unit type name. The symbols are as follows: * - 0900 to 1100 hours; @ - 1100 to 1200 hours; # - 1200 to 1300 hours; % - 1300 to 1400 hours.



FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Type, and other details.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATIONS LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

OTHER OFFSHORE FUNDS

Table of OTHER OFFSHORE FUNDS, listing various offshore unit trusts with columns for Name, Type, and other details.

Table of Money Market Trust Funds, listing various money market funds with columns for Name, Type, and other details.

Table of Money Market Bank Accounts, listing various bank accounts with columns for Name, Type, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

CANADIANS

Table listing Canadian stocks with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS - Contd

Continuation of Building, Timber, Roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

ELECTRICALS

Table listing electrical companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

CHEMICALS, PLASTICS

Continuation of chemical and plastic companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

DRAPERY AND STORES

Continuation of drapery and stores companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS

Continuation of building, timber, and roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

ENGINEERING - Contd

Continuation of engineering companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

CHEMICALS, PLASTICS

Continuation of chemical and plastic companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

DRAPERY AND STORES

Continuation of drapery and stores companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

BUILDING, TIMBER, ROADS

Continuation of building, timber, and roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

INDUSTRIALS (Miscel.) - Contd

Continuation of industrial (miscellaneous) companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

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BUILDING, TIMBER, ROADS

Continuation of building, timber, and roads companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for 1988 High, 1988 Low, Stock Name, Price, Div, and YTD %.

INDUSTRIALS (Miscel.)

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Handwritten signature or mark at the bottom of the page.

LONDON SHARE SERVICE

LEISURE - Contd

Table listing various leisure companies such as British Airways, British Overseas Airways, and others, with columns for stock price, dividends, and other financial metrics.

PAPER, PRINTING, ADVERTISING - Contd

Table listing companies in the paper, printing, and advertising sectors, including titles like 'The Daily Mail' and 'The Times', with associated financial data.

TEXTILES - Contd

Table listing textile companies such as British Cotton Textiles, British Woollen Textiles, and others, with their respective market values.

TRUSTS, FINANCE, LAND - Contd

Table listing trusts, finance, and land companies, including various investment trusts and financial institutions.

OIL AND GAS - Contd

Table listing oil and gas companies, including British Petroleum, Shell, and other major energy firms.

MINES - Contd

Table listing mining companies, including Anglo-American, Anglo-African, and other mineral extraction firms.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies, such as British Motor Industry and aircraft manufacturers.

PROPERTY

Table listing property-related companies and real estate firms.

TOBACCO

Table listing tobacco companies, including British American Tobacco and other major players in the industry.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies, including investment trusts and financial services.

OVERSEAS TRADERS

Table listing overseas trading companies, including firms that trade internationally.

THIRD MARKET

Table listing companies listed on the Third Market, which includes smaller and emerging firms.

Commercial Vehicles

Table listing commercial vehicle companies, such as those manufacturing trucks and vans.

Investment Trusts

Table listing various investment trusts, providing details on their assets and performance.

Finance, Land, etc

Table listing finance, land, and other related companies, including banks and financial institutions.

PLANTATIONS

Table listing plantation companies, including those involved in rubber and palm oil production.

MINES

Table listing mining companies, including those focused on gold, silver, and other minerals.

NOTES

Stock Exchange listing classifications are indicated to the right of security names. A/B/C/D/E/F/G/H/I/J/K/L/M/N/O/P/Q/R/S/T/U/V/W/X/Y/Z

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies, including major UK titles and their publishers.

SHIPPING

Table listing shipping companies, including major international and domestic carriers.

SHOES AND LEATHER

Table listing shoe and leather goods companies, including manufacturers and retailers.

OIL AND GAS

Table listing oil and gas companies, including exploration and production firms.

Central African

Table listing companies from Central Africa, including mining and trading firms.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks, including companies from various parts of the British Isles.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies, including publishers and printers.

SOUTH AFRICANS

Table listing companies from South Africa, including mining, finance, and other sectors.

TEXTILES

Table listing textile companies, including manufacturers of fabrics and clothing.

FINANCE

Table listing finance companies, including banks, insurance, and investment firms.

Australians

Table listing companies from Australia, including mining, finance, and other industries.

TRADITIONAL OPTIONS

Table listing traditional options, including various types of call and put options.

INDUSTRIALS

Table listing industrial companies, including manufacturing and engineering firms.

PROPERTY

Table listing property-related companies and real estate firms.

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A selection of Options traded is given on the London Stock Exchange Report Page. This service is available to every Company that is on the Stock Exchange through the United Kingdom for a fee of £240 per annum for each security.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Tuesday August 2 1988, Mon Aug 1, Fri Jul 29, Thu Jul 28, Year ago (approx). Rows include CAPITAL GOODS, BUILDING MATERIALS, CONTRACTING, etc.

FIXED INTEREST

Table with columns: PRICE INDICES, Tue Aug 2, Day's change %, Mon Aug 1, etc. Rows include British Government, 1-5 years, 10-15 years, etc.

RISES AND FALLS YESTERDAY

Table with columns: Rises, Falls, Same as previous day. Rows include British Funds, Corporate Bonds, Financials, etc.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Date, Price, etc. Rows include various corporate and government issues.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various fixed interest stock issues.

RIGHTS OFFERS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various rights offers.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Date, Price, etc. Rows include various traditional options.

LONDON TRADED OPTIONS

Large table with columns: Option, Calls, Puts, etc. Rows include various options for different stocks and indices.

ISSUE BY AUCTION OF £750,000,000 8 1/2 per cent TREASURY STOCK, 1994 FOR AUCTION ON A BID PRICE BASIS. Includes application forms and terms.

APPLICATION FORM (THIS FORM MAY BE USED) FOR AUCTION OF £750,000,000 8 1/2 per cent Treasury Stock, 1994. Includes application form and terms.

APPLICATION FORM (THIS FORM MAY BE USED) FOR AUCTION OF £750,000,000 8 1/2 per cent Treasury Stock, 1994. Includes application form and terms.

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LONDON STOCK EXCHANGE

Special features in sluggish trading

A BATCH of special features provided what little interest there was yesterday in otherwise listless UK securities markets...

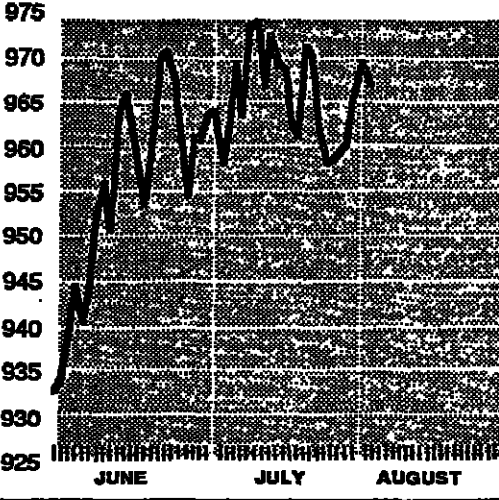
blamed for turning the market lower. Prices tried to rally later but could not hold their best levels at the end of the day.

reflecting the generally apathetic reception from City analysts for last week's batch of interim reports.

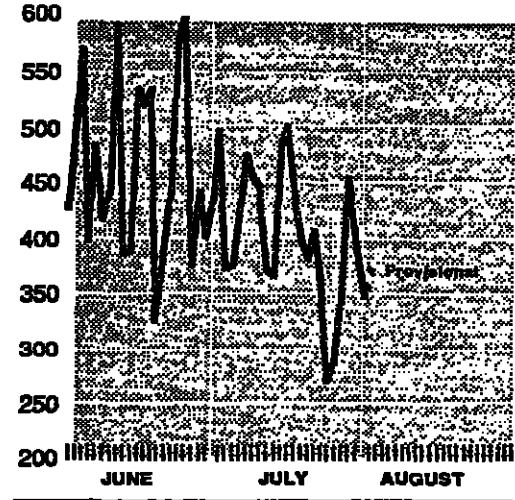
market, the announcement that next Wednesday will bring an auction of £750m of the existing Treasury 8 1/4 per cent 1994 issue was well taken.

Davy Corporation, reflecting US expansion news, traded firmly at 166p, up 8, while the health industry responded to the US Navy contract for "black boxes" with a rise of 6 at 362p.

FT-A ALL-SHARE INDEX



SEAG SHARES TRADED



Trading error hits Racal

RACAL dropped sharply in early trading after an apparent trade of 5m shares at 232p went through the system, setting off market rumours that Cable & Wireless had sold its stake in Racal.

Top spot for Gas

British Gas registered another large turnover, finally amounting to 12m shares, as overseas investors joined the current trading play.

Redoute's stake-building in Empire

Redoute's stake-building in Empire as a logical step in preparation for the unification of the European market in 1992.

British Airways continues to claim attention

British Airways continued to claim attention ahead of Thursday's first-quarter figures. Around 3.1m shares traded and the price improved afresh to 161p before ending only a penny up on balance at 155p.

Declining crude prices meant dull conditions for leading independent oils

Declining crude prices meant dull conditions for leading independent oils which failed to recover from an early market-wide fall.

FINANCIAL TIMES STOCK INDICES

Table with columns for indices (Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.) and values for August 2, 1, 29, 28, 27, Ago, July, Year, 1988 High/Low, and Since Completion High/Low.

Table for S.E. ACTIVITY indices including Edged Bargains, Bargains, and 5-Day Average, with values for August 1 and July 29.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in million shares for various major stocks like Anglo Group, Cable & Wireless, British Gas, etc., with columns for Volume, Change, and % change.

Chapter and Vaux

Speculation continued to surround regional brewer Vaux in which Sir Ron Brierley was known to have held a 2.8 per cent stake.

International stocks

International stocks ran into limited profit-taking early on as trading funds reduced their positions.

Empire Stoves

Empire Stoves jumped 8 to 245p on news that La Redoute, the French mail-order group, has upped its stake in Empire to 24.57 per cent.

TI Group

TI Group, awaiting tomorrow's interim figures, encountered fresh early support and touched 361p before falling back to 357 1/2p.

NEW HIGHS AND LOWS FOR 1988

Table listing new highs and lows for 1988 across various sectors like Chemicals, Food, and Engineering.

APPOINTMENTS

Hambros expands lending

As part of the expansion of its lending services to large corporate customers, HAMBROS BANK has appointed Mr H.N. Darling to the commercial banking division.

Mr H.N. Darling

Mr H.N. Darling has been appointed group finance director of KINGSGRANGE. He was with RTZ Corporation where he was finance director of RTZ Metals.

Mr Hugh Thornton

Mr Hugh Thornton, formerly a director of R.P. Matthews & Co and Parrish Stockbrokers, has joined WARNE INVESTMENT AND FINANCIAL SERVICES.

Mr Robt Thompson

Mr Robt Thompson has been appointed group planning director at INCECAFE. He was with Rockwell International.

Large advertisement for THE BRICOM GROUP Management Buy-Out. Features text: 'Management Buy-Out of THE BRICOM GROUP for £359,000,000. SYNDICATED DEBT FACILITIES. Lead managed and arranged by Standard Chartered Bank. Lead underwriters: Standard Chartered Bank, Barclays Bank PLC, Credit Lyonnais, Bank of Scotland, Creditanstalt-Bankverein, The Royal Bank of Scotland plc. Participants: Bank of Tokyo Group, Den norsk Creditbank PLC, Generale Bank, London Branch, etc.

COMMODITIES AND AGRICULTURE

Gloomy outlook for grain exports

By Bridget Bloom, agriculture correspondent

DECLINING MARKETS for grains produced by industrialised countries could necessitate the removal from grain production of nearly 50m hectares of land...

It says that the "profound shift in the structure of the world grains economy" over the last 20 years has resulted in much greater dependence by grain exporting countries on markets provided by developing countries.

ports and railways in many developing countries will also severely limit higher imports. The IWC notes that demand for grains has grown in developing countries principally because of increasing population and urbanisation...

While it notes that there are very considerable regional disparities among developing countries, it predicts that the rate of increase in their total demand will slow to 2.5 per cent a year, compared with the current 4 per cent.

Given that production of grains is expected to rise in developing countries, the IWC predicts that they will have a net deficit of 73m tonnes of wheat in the year 2000...

Portuguese grain port plans big expansion

By Diana Smith in Lisbon

SILOPOR, PORTUGAL'S year-old grain storage and handling corporation, has launched an ambitious plan to rival Rotterdam as a centre for the transfer of grain and solid animal feeds from large bulk carriers to smaller coastal vessels.

The focus of the plan is Silopor's new, fully computerised grain terminal at Trafaria, 15km from the mouth of the Tagus, which can transfer up to 20,000 tonnes a day of solids directly from large to smaller vessels...

Geographically Portugal's ports are competitive with northern European ports: they are on the main routes between North or South America, the Mediterranean and beyond.

Only with the creation of Silopor, on the break-up of the grain handling and trading monopoly EAGP, obeying the Treaty of Rome which bars state trading monopolies...

Coffee prices in free fall

By David Blackwell

COFFEE PRICES went into free fall again yesterday in both London and New York as what one dealer described as "the sickness in the market" returned.

On the London Futures and Options Exchange (Fox) three-month robusta coffee closed almost £100 a tonne down after touching a seven-year low of £880 a tonne...

Analysis and traders agree that the fundamentals of the coffee market have been overtaken by technical factors.

THE INTERNATIONAL Cocoa Organisation (ICCO) yesterday bought 7,610 tonnes of cocoa for its buffer stock to replace earlier purchases which contracted traders failed to deliver on time.

The majority of the cocoa bought was from the Ivory Coast, the world's biggest producer, which has been withholding sales because it believes world prices are too low.

have left the people who really care about the coffee market standing on the sidelines," said one.

The International Coffee Organisation's world export quota, which now stands at 51.5m bags, the cut - the last possible in the current coffee year - had been fully discounted by the market...

The full ICO Council is to meet for two weeks from September 19 to discuss next year's quotas and the shape of the next pact.

US soya growers face quality challenge

Deborah Hargreaves on the threat to Japanese market share

US SOYABEAN growers will have to improve the quality of their crop if they are to hold market share in Japan, according to Mr Ken Bader, head of the American Soybean Association.

He told a conference on agricultural trade between Illinois and Japan last week that higher quality South American produce was threatening to erode US soya bean sales to its most important customer.

Japanese demand for soya beans has soared in the last 30 years to 180m bushels, from just 22m bushels in 1958, when the ASA first opened a marketing office in Tokyo.

He insisted there should be some economic incentive built into the soya bean grading process to encourage plant breeders to develop, and farmers to grow, better strains of soya beans.

THE ARGENTINE Economy Ministry has introduced a 3 per cent tax rebate on exports of soya products, reports Reuter from Buenos Aires.

Mr Bader said, "there is no incentive to pay much attention to growing plants with a higher protein content than the current crop."

There was no reason why high yields, high quality and best-cod could not go hand-in-hand, he said. Even with higher freight rates between Latin America and Japan, Argentina and Brazil were selling better quality beans at a lower price.

Mr Bader expected current US exports to Japan - of some 160m bushels (60 lb each) - to drop by 14m bushels next year because of higher world prices

It said the rebate was aimed at correcting distortions created by production and export incentives in other countries.

and lower quality US beans. However, in spite of the drought, which is expected to cut soya bean output to anything from 1.3m to 1.5m bushels - 1.3m is a normal year's crop - the US would continue to be a reliable supplier, he stressed.

Soya bean stocks are forecast to drop this year to 290m bushels and to 145m bushels next year. That means supplies will be tight, but there will be an adequate crop for export.

It is not just soya beans that suffer from quality problems in Japan, conference delegates were told. Mr Shohel Sakai, general manager of the agrimarine products division of Marubeni America, explained that US maize arrived in Japan with a less than clean state.

The chicken farmers tried to get more Argentine maize, but could not secure a constant supply, and were forced to turn back to the US. That underlined the US need to improve

quality, Mr Sakai stressed. Otherwise, given the opportunity, end-users would turn to other sources.

US suppliers had not ignored quality issues and had shown a willingness to get together with transport companies, exporters and processors to discuss quality problems, said Mr Darwin Stoitte, president of the US Feedgrains Council.

Japanese feedgrain imports had risen to 15.5m tonnes from only 6m tonnes in 1970, Mr Stoitte said, with the US holding 72 per cent of total market share.

The US growers had done much to improve the quality, image of US maize in Japan, he said. But to ensure a quality product was delivered, it was necessary to measure the deterioration of the maize as it passed through the system, he believed.

Mr Richard Lyng, US agriculture secretary, stressed that the US would be a firm agricultural supplier to Japan in spite of this year's drought. "We will not restrict exports to protect purchases in our own country," he said.

Brokers disagree about copper

By Kenneth Gooding, Mining Correspondent

TWO SHARPLY contrasting views of the future for copper are presented by the latest reports of the industry by stockbrokers W.L. Carr and rivals Shearson Lehman Hutton.

Carr states: "What we have seen so far is merely the first stage of a secular bull market which will be followed by a price much higher, faster and for longer than most industry observers, participants and portfolio managers dare even dream."

"We are potentially facing market conditions similar to those prevailing in the 1924-1974 period when, despite volatile fluctuations, the real price of copper averaged \$1.80 a lb."

In contrast, Shearsons believes there is considerable scope for the copper price to fall. It suggests, however, that stocks are so low that there is no question for the foreseeable future of the price reverting to the 55 cents to 65 cents a lb seen during the recession.

INTERNATIONAL BOURSES The Financial Times proposes to publish this survey on 21st September 1988. For a full editorial synopsis and advertisement details, please contact: RUTH PINCOCK on 01-248 8000 ext 3428 or write to her at: Bracken House, 10 Cannon Street, London EC4A 3DF.

WEEKLY METALS PRICES

Table with columns for metal names (Aluminum, Copper, Lead, Nickel, Zinc, Tin, Silver) and their weekly price ranges in different units.

WEEKLY METALS PRICES

Table with columns for metal names (Antimony, Bismuth, Cadmium, Cobalt, Mercury, Molybdenum, Selenium, Tungsten, Vanadium) and their weekly price ranges.

LONDON MARKETS

Table of LONDON METAL EXCHANGE prices for various metals like Aluminum, Cash, 3 months, 6 months, and Copper.

SPOT MARKETS

Table of CRUDE OIL (Light) and SOYABEAN prices in London.

COCAOA

Table of COCAOA prices for various grades and origins.

COFFEE

Table of COFFEE prices for various grades and origins.

SUGAR

Table of SUGAR prices for various grades and origins.

WHEAT

Table of WHEAT prices for various grades and origins.

GRAINS

Table of GRAINS prices for various types of grain.

POTATOES

Table of POTATOES prices for various grades.

WORLD COMMODITIES PRICES

Large table of WORLD COMMODITIES PRICES including various metals, oils, and grains.

SOYABEAN MEAL

Table of SOYABEAN MEAL prices for various grades.

FREIGHT FUTURES

Table of FREIGHT FUTURES prices for various shipping routes.

COTTON

Table of COTTON prices for various grades and origins.

US MARKETS

Table of US MARKETS prices for various commodities.

NEW YORK

Table of NEW YORK prices for various commodities.

PLATINUM

Table of PLATINUM prices for various grades.

SILVER

Table of SILVER prices for various grades.

COPPER

Table of COPPER prices for various grades.

CRUDE OIL

Table of CRUDE OIL prices for various grades.

HEATING OIL

Table of HEATING OIL prices for various grades.

COCAOA

Table of COCAOA prices for various grades.

COFFEE

Table of COFFEE prices for various grades.

COTTON

Table of COTTON prices for various grades.

ORANGE JUICE

Table of ORANGE JUICE prices for various grades.

CHICAGO

Table of CHICAGO prices for various commodities.

MAIZE

Table of MAIZE prices for various grades.

WHEAT

Table of WHEAT prices for various grades.

LIVE CATTLE

Table of LIVE CATTLE prices for various grades.

LIVE HOGS

Table of LIVE HOGS prices for various grades.

POUR BELLER

Table of POUR BELLER prices for various grades.

WORLD STOCK MARKETS

Table of world stock markets including Australia, France, Germany, Netherlands, Sweden, and others. Columns include stock names, prices, and changes.

OVER-THE-COUNTER

Table of over-the-counter stock prices with columns for stock name, price, and change. Includes sub-sections like 'Continued from page 35' and 'Tokyo - Most Active Stocks'.

Table of Japanese stock markets with columns for stock names, prices, and changes. Includes sub-sections like 'JAPAN' and 'ABSTALIA (continued)'.

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Table of financial indices including Dow Jones, Nikkei, and various regional indices. Columns show index values and changes.

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 2

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

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AMERICA

Fragile Dow drifts despite promising economic news

Wall Street
EQUITIES continued their sideways drift, failing to take heart from a more positive performance by the bond market...

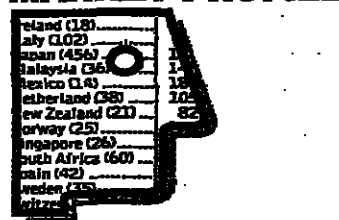
The pattern of the last few weeks has been that the equity market has risen a number of times to about 2,130 on the Dow and faltered. The index peaked at 2,155.61 on July 5 and then declined steadily...

North Carolina National Bank continued its climb as the market showed confidence in the management's ability to absorb the main operations of First Republicbank...

Elderly bourse displays a youthful vitality

The Dublin Stock Exchange, which began trading at the end of the 18th century, is one of the oldest in Europe. It is also one of the most volatile.

MARKET PROFILE



Dublin
London is consulted before a company is given a quote on the main market, the USM (unlisted securities market) or the third and smaller companies markets...

whelming influence on the market, accounting for more than 50 per cent of trading - and the top 10 companies represent about 60 per cent of capitalisation.

STOCK MARKET FACT CHART
Market capitalisation: £55.9bn (£1 = 69 Irish pence, £1 = £1.19)
Number of shares listed: about 90
Trading hours: official - sessions lasting about an hour at 9.30 am and 2.15 pm...

EUROPE

Finland stands alone at new peak

CORPORATE news and speculation again kept interest alive in holiday season trading, with most European bourses showing only slight movements on the day. Finnish shares proved the exception with another new high...

London
THE SUMMER doldrums took their toll on trading and share prices drifted lower, with the FT-SE 100 index falling 6.7 to 1,855.5.

Among the internationals, Philips gained 10 cents to Ft 31.70, but Alzo fell back 80 cents to Ft 144.50 after its Ft 1.50 gain on Monday...

SOUTH AFRICA

GOLD stocks in Johannesburg closed narrowly mixed yesterday after the financial rand strengthened in late trading following its sharply weaker opening. The low bullion price added to the market's uncertainty.

ASIA PACIFIC

Tokyo
LATE buying lifted share prices to an all-time high in Tokyo yesterday, although the market lacked vigour because of persistent concern over precariously high prices...

Sankyo Seiki, topped the active list with 69.28m shares traded. It finished Y13 higher at Y777.

Nikkei hits high in nervous trading
THE LEADING markets in the Asia Pacific region closed slightly weaker, but the upward surge continued in Taipei.

FT-ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Monday August 1 1988, Friday July 29 1988, and Dollar Index. Rows list various countries like Australia, Austria, Belgium, etc.

Commercial Aviation to the End of the Century
30, 31 August & 1 September, 1988
Financial Times Conference Organisation
126 Jermyn Street, London SW1Y 4UJ

Change of Address
The Royal Bank of Scotland plc announce the transfer of their Registrar's Department (Unit Trust Section) to the undertaken address with effect from 8 August 1988.

Vertical text on the right margin including 'Sara talks southern to run', 'HK\$960m rights issue for Henderson', 'Singapore ended following poor performances in New York and Tokyo', and 'Interested entities in pre-qualification should present their application in accordance with the regulations attached to the Minister's Dispatch published in the supplement of the official journal "Diário da República", II série, of the 15th of July, 1988.'